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TODAY: MONEY

U.S. Job Machine Rolls On With Little Sign of Inflation

By Mitchell Martin
International Herald Tribune

NEW YORK — The U.S. unemployment rate fell to a 28-year low of 4.3 percent in April, the government said Friday, as 262,000 jobs were created, indicating the economy's seven-year expansion has farther to run.

Investors welcomed the news, which contained elements that allayed fears of an interest-rate increase, and stock prices rose. The Dow Jones industrial average closed 78.47 points higher at 9,055.15.

The unemployment report from the Labor Department is the first look at the previous month's

economy, so it is closely followed on Wall Street. In recent days, investors had been worried that the Federal Reserve Board would push up short-term interest rates to slow the economy before

German jobless rate falls to 11.4%. Page 11.

rising wage costs spilled over into prices. But the employment report allayed those concerns.

Stan Shipley, a Merrill Lynch & Co. economist, said that when averaged with the decline in job creation in March, the data indicated the economy was adding 130,000 to 150,000 jobs per month, "which is not very threatening" to in-

vestors who fear the Fed will soon raise rates. Now, he added, "there is no way the Fed will tighten in May," and the report "calls into question whether they will tighten in July." The central bank's Open Market Committee meets at six-week intervals to decide its interest-rate policy.

The figures contained some statistical quirks that seem to have overstated the fall in unemployment, which surprised analysts and investors. The companion report that showed that 262,000 jobs were created was in line with market expectations. The unemployment rate is taken from a household survey, while the payroll statistics

The Dollar			
	New York	Friday @ 4 P.M.	previous close
DM	1.7694	1.7694	1.7685
Pound	1.6355	1.6355	1.6345
Yen	132.845	132.845	133.30
FF	5.9327	5.9327	5.927

The Dow			
	Friday close	previous close	
Dow	9055.15	8976.68	+78.47
S&P 500	1108.14	1095.14	+13.00

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Netanyahu Aide Sees 'No Way' To Meet Deadline For Talks in U.S.

He Speaks After Clinton Envoy Discusses West Bank Pullout With Israeli Prime Minister

By Serge Schmemmann
New York Times Service

JERUSALEM — An Israeli government spokesman said Friday night that there was "no way" Prime Minister Benjamin Netanyahu could meet Washington's deadline of Monday to decide on withdrawing troops from another 13 percent of the West Bank.

But the spokesman, David Bar-Ilan, insisted that Mr. Netanyahu was still "hoping to find a solution that would be satisfactory to all sides, and to go on."

He declined to say whether a decision Tuesday was a possibility. The Clinton administration has signaled that it might be willing to postpone its deadline a day or two, but not more.

Mr. Bar-Ilan spoke after Mr. Netanyahu met for an hour and a half with President Bill Clinton's special

American Jewish support for the Clinton administration is holding firm. Page 15

envoy to the Middle East, Dennis Ross. He flew into Israel on a U.S. Air Force plane Friday for a last-ditch attempt to salvage a deal that would restart peace negotiations with the Palestinians.

Neither Mr. Netanyahu nor Mr. Ross offered any comment before the Jewish Sabbath imposed a certain public silence at sundown. Mr. Ross was to remain in Israel through Saturday, leaving open the possibility of further discussions, though none were publicly announced.

Mr. Bar-Ilan's comments underscored the acute brinkmanship that was evidently being exercised by both the Israelis and Americans now that Mr. Clinton has issued for the first time what amounted an ultimatum.

After more than a year of futile efforts to restart negotiations, Secretary of State Madeleine Albright told Mr. Netanyahu in London this past week that he had until Monday to accept an American package calling on Israel to transfer control over another 13 percent of the West Bank to the Palestinians in exchange for a concrete Palestinian plan of action against terrorism.

If they agreed, Mr. Netanyahu and Yasser Arafat of the Palestinian Authority were invited to come to Washington to begin talks on a final Middle East settlement.

Mr. Netanyahu's rightist government has repeatedly warned that it cannot accept anything bigger than a 9 percent pullback, and the prime minister promptly began a counterattack, accusing the Clinton administration of tampering with Israel's security and calling on his supporters among American Jews and in the U.S. Congress to intervene.

One of Mr. Netanyahu's current problems is that Ariel Sharon, the most influential hawk in his cabinet, and two other key members are abroad.

The cabinet meets regularly on Sunday, but Mr. Bar-Ilan said the question of a further withdrawal was not formally on the agenda. He portrayed the gov-

U.S. Senate Unanimous On Overhauling the IRS

Taxpayers Would Get Extensive New Rights

By Albert B. Crenshaw
Washington Post Service

WASHINGTON — The U.S. Senate has voted unanimously to approve the most far-reaching overhaul of the Internal Revenue Service in more than 45 years, responding to a political outcry over alleged abuses by the tax collection service's agents and managers.

The measure, passed by a vote of 97 to 0, would set up an oversight board made up mostly of nongovernment members to review IRS operations, set policy and establish greater Treasury Department control over the internal unit that investigates complaints against the agency.

It also would grant taxpayers extensive new rights in dealing with the service. Under the bill, if a taxpayer became embroiled in a court battle with the government over a tax liability, the burden of proof would fall on the service rather than the taxpayer, so long as the taxpayer kept records and cooperated with the service.

The measure would provide new protections for people stuck with tax bills incurred by a former spouse, limit penalties and interest now imposed in a variety of situations and restrict the

agency's collection methods. The Senate bill would cost the Treasury an estimated total of \$18.3 billion over 10 years, most of that from revenue losses resulting from the new taxpayer rights.

The senators agreed to pay for those costs by restricting several corporate write-offs and by making it easier for wealthy senior citizens to convert traditional individual retirement accounts to new Roth IRAs. Critics contended that the IRA provision would increase revenue only in the short run while losing it in future years.

"The IRS is going to change and change dramatically as result of this" legislation, said Senator Bob Kerrey, Democrat of Nebraska, who was co-chairman of a congressional commission that spent a year studying the agency. Along with the Senate Finance Committee chairman, William Roth Jr., Republican of Delaware, Mr. Kerrey was a key architect of the measure.

Beyond the rules and structural changes, Mr. Roth said the bill would change the culture of the IRS from a focus on law enforcement to one on customer service.

Today, "the agency has too much

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Ramos Cools Off, and Businesses Warm to His No. 2



President Fidel Ramos of the Philippines trying to beat the heat with a towel as he campaigned Friday for his candidates. He opposes the front-runner in the presidential election Monday, Vice President Joseph Estrada, who is gaining acceptance by the business community. Page 9.

Rattled Japan Carmakers Keep Hope in Face of Mega-Merger

By Sheryl WuDunn
New York Times Service

NATSUSHIMA, Japan — Standing inside the dormitory he manages for Nissan Motor Co., Mitsunori Goto looked a bit befuddled by the whirlwind on the other side of the world. "It's an epoch-making event and I feel a little bit left behind," Mr. Goto said.

A former factory team leader at Nissan, Mr. Goto, 60, was speaking of the union between Chrysler Corp. and Daimler-Benz AG. And if

he and other people are dismayed here in Natsushima, a company town 65 kilometers (40 miles) from Tokyo where Nissan produces cars-

Battle for Rolls-Royce isn't over. Page 9.

mostly headed for America, it is because this is not the way it was supposed to happen.

Not long ago, it was the Japanese auto companies that seemed to be invading the United States and poised to take over the world. Now a new

auto giant has been forged by melding a U.S. company that Japanese auto companies almost killed off two decades ago with a German firm that was perceived as filling a luxury niche.

In Japan, the greatest auto manufacturing country in the world outside the United States, there is still a feeling, perhaps mixed with a good deal of hope, that the merger between Chrysler and Daimler-Benz will not immediately affect Japan. Analysts say that Japanese cars are still well-designed and relatively cheap, and that Japan has cornered more than

half of the market for cars in Asia, which, according to Merrill Lynch, will still be a growing market in the long run.

And Toyota Motor Co. and Honda Motor Co., which make some of the most world's competitive cars, have been on a hot streak and their worldwide sales are expected to remain brisk. Indeed, Honda's profit returns are not too far behind those of U.S. companies, and Toyota, with \$21 billion in cash, has enough money to

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An Awakening in Poland

Battered Women Get Attention in a Campaign To Sensitize the Public to Domestic Violence

By Jane Perlez
New York Times Service

PRUSZKOW, Poland — In the beginning, Bozena L. felt flattered by the attention her new husband showered on her. He walked her to work, picked her up afterward and was always concerned about where she went.

In the style of many Polish men who love to act like gallant knights, he bowed his head and kissed women on the hand.

But as he began to abuse her, she realized his protectiveness was really jealousy. Now 15 years later, after suffering repeated beatings, she has brought criminal charges against him and filed for divorce. But Bozena, 47, and their two sons still live with the man she has long feared.

When her husband, Cacasar, a burly 60-year-old, came home to their cramped apartment on a recent night as Bozena sat with two visitors in a bedroom, he seethed with anger. He entered his bedroom, now separate from hers. Ever so slightly, she quivered.

Domestic violence is becoming a public issue in Poland, a nation where the sanctity of the family is of almost mythical importance and where most

homes are organized along strict patriarchal lines. An often quoted Polish proverb says, "If a man does not beat his wife, her liver rots."

But now women's groups are discussing the issue, holding "tribunals" where women tell their stories and seminars to sensitize the police and prosecutors, who have often dismissed such complaints.

A national billboard campaign has alerted Poles to the idea that brutality is more than just a family spat. One billboard shows a badly beaten woman with blood on her lips and her battered son. The tag line reads, "Because the soup was too salty."

Statistics are notoriously hard to pin down in Poland, but in 1995 the courts recorded a 33 percent rise in the number of domestic violence cases, suggesting

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A Warsaw billboard showing a battered face says, "Because he had to let off steam." It is part of a campaign to publicize domestic violence.

AGENDA

U.S. Cancels War Games in Indonesia

WASHINGTON (AFP) — The United States canceled a military training exercise with Indonesia and is reviewing all other scheduled joint military activities because of concern over the situation there, a Pentagon spokesman said Friday.

"We thought it would be inappropriate to continue training at this time," the spokesman said. At least 60 people were injured Friday by police beatings and tear gas during student protests in central Java. Page 4.

Toll Increases to 91 in Italian Mud Slides

Italian rescue workers pulled out more bodies on Friday from homes and cars engulfed in mud slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll at 91.

Clouds of choking, blinding dust, sent up from rivers of baking mud, hampered efforts to dig for the missing near Naples. Page 2.

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Black Death's Gift: Protection From AIDS

By David Brown
Washington Post Service

WASHINGTON — Survivors of the Black Death, which ravaged Europe in the 14th century, apparently bequeathed to their descendants the ability to resist infection by the AIDS virus.

That is the conclusion of a team of scientists studying a rare genetic mutation that confers on its carriers protection against the human immunodeficiency virus, which causes AIDS.

Although the origin of the mutation is obscure, it appears to have suddenly become relatively common among white Europeans about 700 years ago. That increase suggests something must have occurred about that time to favor greatly the survival of people carrying the mutation. In fact, such an event is known to have existed: the epidemic of bubonic plague that swept out of Asia and into Europe in 1346.

Pilot Lands Blind in DC-9

Cockpit Window Smashed by Hail and Wind, But All 86 on U.S. Flight Escape Serious Injury

The Associated Press

CHATTANOOGA, Tennessee — Hailstones and high winds tore the nose cone away and broke a cockpit window of an AirTran jetliner, forcing the plane to make an emergency landing. None of the 86 people aboard was seriously injured.

"I love my wife," said a shaken Captain Benton West, the pilot of the scheduled flight Thursday from Atlanta to Chicago. "I'm going to see her again."

"I've been shot down twice in Vietnam," he said "so this — it wasn't going to end like this."

Amateur video footage aired on WTVF-TV in Chattanooga showed a smashed window and the torn nose cone of the DC-9 jetliner. There were also dents in the wings.

AirTran was formerly known as

Vahler. The airline's name was changed in 1997, following a crash on May 11, 1996, in the Florida Everglades, in which 110 people were killed.

On May 1, 1996, American Airlines was forced to cancel nearly 300 flights after hail as big as softballs damaged 51 jets and 24 smaller planes parked at Dallas Fort-Worth International Airport.

David Garrett, air traffic manager at Chattanooga Metropolitan Airport, said the DC-9 had not lost its ability to land. "But the pilot wasn't able to see because of the cracked windshield and the nose cone damage."

Controllers guided the aircraft to the runway while emergency crews were put on alert, Mr. Garrett said. Two people were sent to hospitals with minor injuries, and passengers were transferred to another plane bound for Chicago.

14th-Century Plague Caused Key Mutation

The chance of this gene "randomly drifting up" to its current frequency among white Europeans is unlikely, said Stephen O'Brien, a molecular biologist at the National Cancer Institute who headed the research team. "In fact, it's impossible," he said. "There had to have been something going on that

The Black Death was one of the cataclysmic events of recorded history. A bacterial disease spread by rats and fleas, it killed between one-quarter and one-third of Europe's population between 1347 and 1350. In some places — notably Florence, Marseille and other crowded Mediterranean cities — more than half the inhabitants are believed to have died.

Several waves of the disease followed the initial one, and the continent's population did not reach its pre-epidemic size for 100 years. By then, much of feudalism's distinct economic features had been crippled or swept away, and the modern period had begun.

Just as bubonic plague permanently altered the structure of Western society, so it appears to have altered the genetic endowment of Westerners, or at least some of them. The mechanism by which this might have occurred is fairly straightforward.

All genetic mutations arise by chance. Some are harmful and disappear quickly because people carrying them die before they can have children and pass on the mutation. Some are neutral, neither immediately harmful nor immediately beneficial. They spread through a population but never

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Newsstand Prices

Andorra	10.00 FF	Lebanon	11.3,000
Antilles	12.50 FF	Morocco	18 Dh
Cameroun	1.800 CFA	Qatar	10.00 QF
Egypt	SE 5.50	Réunion	12.50 FF
France	10.00 FF	Saudi Arabia	10 SR
Gabon	1.100 CFA	Senegal	1.100 CFA
Italy	2.800 Lire	Spain	225 Ptas
Ivory Coast	1.250 CFA	Tunisia	1.250 Dh
Jordan	1.250 JD	U.A.E.	10.00 Dh
Kuwait	700 Fils	U.S. Mkt. (Eur.)	\$1.20



Death Toll Rises to 91 In Mudslides Near Naples

The Associated Press

QUINDICI, Italy — Rescue workers pulled out more bodies on Friday from homes and cars engulfed in mud slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll at 91.

Clouds of choking, blinding dust, sent up from rivers of baking mud stretching as far as the eye could see in some parts, hampered efforts to dig for the missing. Their numbers varied from about 100 to more than double that.

"The biggest problem right now is the dust, because it creates respiratory problems and makes seeing difficult," said Quindici's head doctor, Mario Simionetti, who is coordinating the health side of the rescue effort.

"We can't find any masks in all of Campania," the region where mudslides on Tuesday swept away parts of several southern towns, the doctor said. A total of 66 of the dead were found in Sarno, the hardest-hit town in the valley running along the foot of Mount Vesuvius, halfway between Naples and Salerno.

In this small town 125 kilometers (77 miles) east of Naples, the top priority was clearing roads to reach outlying homes, said Gaetano Simonetti, a civil defense coordinator.

Lack of supplies hampered the efforts. "We don't have all the trucks we need," he said.

He said that eight bodies were found Friday and that "there is no way to tell how many people are still lost."

Near him, a mound of cars on a main road lay crushed on top of each other, swept away by a mud torrent Tuesday night. Some of the cars were buried and it was impossible to tell if people were inside.

In a sign of the fury and force of the mud onslaught, five homes in one part of town were swept away.

The civil defense agency has reported widely fluctuating numbers of missing. The latest count was 107, but officials in Sarno said the number was double that there alone.

Forty U.S. Navy engineers arrived in Sarno, the next town over, to build a tent city for Italian rescuers at an old factory site.

Days after torrential rains unleashed the massive landslides in a heavily populated area, rescue crews were finding mostly bodies, not survivors.

"There still might be a few lucky survivors, trapped in air bubbles in the mud, or within undamaged structures," said a civil defense official, Roberto Malisan, in Sarno. "But the more hours pass, the more hope fades."

Even as rescue crews looked for survivors, some people began returning home.

On the main street in Quindici, with residents complaining that rescue workers were not helping them get inside.

"Unfortunately, the residents are very agitated," Mr. Simonetti said. "Instead of helping us out, they are breathing down our necks, complaining we aren't helping them clean out their homes."



Mr. Annan, arms crossed, with his wife, Nane, at a graveyard Friday in Nyanza where some of the Tutsi killed in the 1994 genocide are buried.

Annan Takes the Rap in Rwanda

UN Chief Protects West for Its Inaction During Genocide

By James C. McKinley Jr.
New York Times Service

KIGALI, Rwanda — The UN secretary-general walked into a political ambush at week's end, absorbing several highly personal attacks from Rwandan leaders who blame the United Nations for failing to intervene in the 1994 genocide here.

For most of his visit, the secretary-general, Kofi Annan of Ghana, defiantly defended his decisions in 1994, when he was head of peacekeeping operations, arguing that world leaders had failed to provide the UN with the troops and mandate needed to stop the killing.

"I have no regrets," he said. On Friday morning, as he visited a shed full of skulls belonging to victims of the genocide in Mwarure, 50 kilometers (30 miles) outside Kigali, Mr. Annan tried again to point out that the major powers had known about the genocide, but were not willing to intervene.

"The international community could not muster the resources or the will to come to Rwanda's aid," he told a group of survivors.

But even while he admitted that everyone had failed Rwanda, Mr. Annan resisted casting blame on specific members of the Security Council, which had the final say over sending more troops to save Tutsi victims.

In essence, Mr. Annan took a political beating here to protect Western leaders who, despite receiving early warnings of the impending slaughter, resisted get-

ting involved in the Rwandan massacres until it was far too late to help.

Put simply, Mr. Annan took the abuse to shield the United States. It was the Americans, still stinging from their failed peacekeeping operation in Somalia in 1993, who had resisted getting involved in the Rwandan killing in the spring of 1994 until it was far too late to save most of the genocide victims, aides to Mr. Annan said privately.

"The Americans said no," one aide said. "It was fresh after Somalia, and the Americans were not going to have it."

The contretemps between Mr. Annan and his Rwandan hosts also highlights another ugly political reality in Rwanda since a Tutsi rebel army ended the genocide and set up the present government. It is convenient for the current regime to blame the rest of the world for failing to save Rwanda from itself.

The government here has plenty of reasons for keeping the memory of the UN failure alive. To start with, despite some progress in bringing moderate Hutu into positions of power, Rwanda's government remains an undemocratic regime controlled by the Tutsi minority, many of whom are hungry for vengeance for the massacres.

That Tutsi rebels stopped the genocide while the world's great powers dithered on the Security Council gives the current government legitimacy and the moral authority to rule.

What is more, the United Nations' perceived failure in 1994 makes it hard for Western powers to criticize Kigali's human rights record, which is far from perfect. Rwandan troops not only are accused of massacring thousands of Hutu refugees in neighboring Congo during the civil war there last year, but also regularly conduct campaigns against Hutu guerrillas in which civilians are killed.

Finally, playing the victim of an international conspiracy of neglect is a platform for demanding more aid to rebuild Rwanda.

UN officials received information from the Canadian commander of peacekeeping forces in Kigali as early as January 1994 that a genocide was being planned by Hutu extremists.

On April 6 of that year, these militant Hutu seized control of the government, scuttled a UN-brokered peace accord with Tutsi rebels and started a campaign to exterminate all the Tutsi in government-controlled areas.

The next morning, the Hutu hard-liners captured, tortured, murdered and mutilated 10 Belgian peacekeepers. It was a clever tactic. Within two weeks, Belgium withdrew all its troops, leaving the commander of the peacekeeping operation, General Romeo Dallaire, with a small, ill-equipped force.

For several weeks, while the Security Council delayed making a decision, the UN soldiers did little more than guard a few havens where frightened Tutsi had gathered for protection. The slaughter continued across the country.

Ruling Socialists Are Favored in Hungary Election

The Associated Press

BUDAPEST — Buffeted by economic hardships for years, Hungary has emerged as the star performer in Eastern Europe going into national elections Sunday.

Along with the recent U.S. endorsement of its entry into the North Atlantic Treaty Organization, the economic turnaround has put the governing Socialist Party in a strong, although not unassailable, position going into the vote.

As the 12 parties contending for seats in Parliament held final rallies Friday, the latest public opinion polls mostly showed the Socialists with a slight lead over the center-right opposition Young Democrats-Hungarian Civic Party.

Analysts expect the Socialists, a pro-reform successor party to the Soviet-era Communists who came to power in 1994, to retain the leadership once results are in from a May 24 runoff.

Even opposition parties now concede that Hungary's economy is growing as a result of the austerity measures imposed by the governing party three years ago.

At stake Sunday, along with all 386 seats in Parliament, is the chance to form the next government.

The West has lauded the government's performance in Hungary, which has supplanted the Czech Republic as the economic leader in the former Soviet bloc. The economy grew 4.4 percent last year, and inflation has been falling.

Amnesty Denied for ANC Chiefs

Reuters

CAPE TOWN — A blanket amnesty for the top leaders of the governing African National Congress, including Deputy President Thabo Mbeki, was overturned by the High Court on Friday.

"There is granted an order reviewing and setting aside the decisions made by the committee on amnesty," said Judge Johan Conradie in setting aside the amnesty for apartheid-era human rights abuses that had been granted to the 37 ANC leaders by the Truth and Reconciliation Commission.

The amnesty committee of the truth commission last November pardoned top ANC members, including Mr. Mbeki, President

Nelson Mandela's heir apparent, and five other cabinet members. But the amnesties, granted for unspecified human-rights offenses committed during apartheid rule, provoked controversy because they were awarded in a block without public hearings and without revealing what crimes the 37 had committed.

The truth commission decided in January to ask the court to rule on the decision of its amnesty committee, but the opposition National Party lodged its own appeal.

The ANC, which originally said it would oppose overturning the blanket amnesty, last week withdrew its opposition, speeding up the court process.

The truth commission was set up in 1995 to try to uncover the truth about apartheid-era atrocities, reconcile the country's divided races, grant amnesty to those who confess in full to political crimes and award damages to victims.

The legislation setting up the truth commission required that all amnesty applicants provide a full disclosure of their actions and their motivations.

It does not require any apology, and many of the former apartheid security force members have refused to apologize for their actions, although others have.

The ANC conducted a low-level armed struggle against the apartheid regime that included a series of bombings, some of which resulted in civilian deaths.

Nigeria Arrests Main Opposition Leader

Reuters

LAGOS — Olisa Agbakoba, the leader of Nigeria's main opposition group, United Action for Democracy, was arrested Friday by state security police, colleagues in his law office said. He was arrested at Lagos airport on his way back from a trip abroad, they said.

United Action, a coalition of 25 pro-democracy groups, called May Day protests against the military ruler, General Sani Abacha. Seven people were shot and killed during one of the protests, in the southwestern city of Ibadan.

The military authorities had threatened to crack down on the ringleaders, and activists say that at least 20 people have been arrested since then.

The protests were called after five legally permitted political parties chose General Abacha as the sole candidate for the Aug. 1 presidential election.

Western countries have described General Abacha's plan for transition to democracy as a failure and have threatened to extend sanctions, which are now limited.

Nigeria freed 142 prisoners on orders of General Abacha, The Washington Post reported.

Those freed include four journalists but few other political prisoners, Nigerian newspapers said.

The freed journalists are Muhammad Amadu and Soji Omutunde of the newspaper African Concord; Babafemi Ojodu of The News; and Onome Osifo-Whiskey of The magazine.

Also freed was Ogaga Ifowodo of the Civil Liberties Organization, a human rights group.

BRIEFLY

Hague Free 14 Serbs, for Now

THE HAGUE — The United Nations war crimes tribunal said Friday it had dropped charges against 14 Bosnian Serbs connected to two notorious camps where thousands of Bosnian Muslims and Croats were interned during the Bosnian war.

The 14 men had been accused by the International Criminal Tribunal for the former Yugoslavia of committing war crimes at the Serb-run Omarska and Keraterm detention camps in the Prijedor region of northwestern Bosnia-Herzegovina.

The chief prosecutor, Louise Arbour, said she had asked for the withdrawal of the indictments because the tribunal did not have the resources to try all the men separately, as required. She reserved the right to indict them later.

ETA Is Blamed in Shooting

VITORIA, Spain — A retired Civil Guard officer was seriously wounded by a gunman Friday in an attack attributed to the Basque separatist group ETA. Alfonso Parada Ulloa, 61, was shot in the head as he was leaving his home in the Basque capital, Vitoria, a regional government spokesman said. Doctors said he was in extremely critical condition.

German Coalition Talks Fail

MAGDEBURG, Germany — Talks between the Social Democrats and Christian Democrats aimed at forming a coalition government in the eastern state of Saxony-Anhalt collapsed Friday.

The state premier, Reinhard Hoppe, a Social Democrat, said the two parties could not agree on how to deal with the anti-immigrant German People's Union, which won 13 percent of the vote in Saxony-Anhalt in elections in April.

A coalition of the two parties in Saxony-Anhalt had been expected to help the Social Democratic candidate for chancellor, Gerhard Schröder, in the race against Helmut Kohl in September.

TRAVEL UPDATE

Jamaica Targets Tourists' Harassers

KINGSTON, Jamaica (Reuters) — Jamaica will take a tougher line against local people who pester tourists to buy goods, drugs and sex in resort towns, and is increasing fines for such offenses 100-fold, officials say.

Nearly two million visitors vacationed in Jamaica last year. 1.2 million of them stopover tourists and the rest passengers on cruise ships. According to a survey by the tourist board last year, 56 percent of visitors felt they had been harassed at some point during their stay in Jamaica. Nearly 13 percent said their vacations were spoiled by the harassment.

Open House at Hong Kong Airport

HONG KONG (Reuters) — Hong Kong is throwing an open house this weekend for the public to tour its new \$20 billion international airport, which will handle its first commercial flights in July.

More than 90,000 people have paid 60 Hong Kong dollars (\$7.75) to take up the offer to visit the sprawling airport complex on reclaimed land off Lantau Island during six planned visiting days, beginning Sunday.

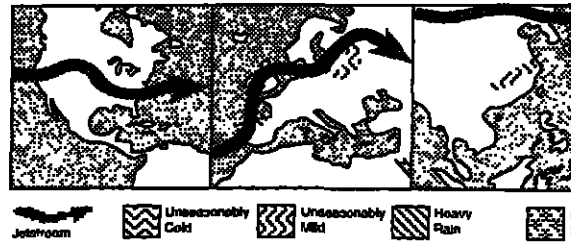
The airport at Salomonika, Greece, closed Friday for four days of runway repairs. Flights were rerouted to Kavala, about 130 kilometers (80 miles) to the east. Meanwhile, planned work stoppages at the Athens airport are expected to cause delays from Tuesday to Friday.

British Airways PLC has delayed the start of its nonstop London-Denver flights from June 1 until Aug. 1 while waiting for approval from the U.S. Department of Transportation, the Denver Post reported.

Japan Airlines Co. Ltd. said Friday it planned to reduce fares by up to 50 percent on round-trip flights from cities in the United States to those in Japan from May 22 to July 25. A JAL spokesman said the carrier filed an application Thursday with the Transport Ministry for the fare cuts. For the discounts, tickets need to be issued by May 22.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.



North America: Unsettled and cool Sunday through Tuesday, then dry and warm with some sun. A low pressure system will move into the Northeast, bringing the chance for rain each day. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two.

Europe: London will be warm and humid with some sun Sunday through Tuesday, but it could shower each day. A low pressure system will move into the Northeast, bringing the chance for rain each day. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two.

Asia: Cool with clouds and rain in Beijing Sunday, then dry and warm with plenty of sun Monday and Tuesday. It may shower in Tokyo Sunday, but it will be much warmer by Tuesday. Very warm in Hong Kong with the chance of a shower or two. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two.

South America: A low pressure system will move into the Northeast, bringing the chance for rain each day. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two.

Africa: A low pressure system will move into the Northeast, bringing the chance for rain each day. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two.

Oceania: A low pressure system will move into the Northeast, bringing the chance for rain each day. Sunday, dry and hot in the Southwest. The Southwest and the Gulf states will be hot and sunny. A low pressure system will move into the Northeast, bringing the chance of a shower or two.

Have Stocks Topped?
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Minnesota and Big Tobacco: \$6 Billion Deal

The Associated Press
ST. PAUL, Minnesota — Minnesota reached a tentative \$6 billion settlement on Friday of its lawsuit against tobacco companies just as jurors were scheduled to hear more closing arguments in the three-and-a-half-month trial.

John Coale, a Washington lawyer who helped negotiate a national tobacco settlement last summer, said details of the agreement would be announced later.

Television and radio reports in Washington also reported a tentative settlement, saying the money would be paid over 25 years. In St. Paul, neither tobacco companies nor plaintiffs would confirm a settlement.

Closing arguments were delayed without explanation Friday morning.

The plaintiff's lead attorney, Michael Ciresi, had been scheduled to give his summation, but Judge Kenneth Fitzpatrick of Ramsey County District Court opened the day's session by announcing an immediate recess.

KARE-TV in Minneapolis said the state would get \$5 billion, with an additional \$400 million going to co-plaintiff, Blue Cross and Blue Shield of Minnesota, and \$600 million being paid directly to the plaintiff attorneys.

In talks this week, the two sides had been reported to be negotiating a settlement of more than \$5 billion. The Saint Paul Pioneer Press reported Friday that at least one of the tobacco firms wanted "very badly" to settle the case and might break ranks with its peers.

Minnesota would have received about \$4 billion under a proposed

\$368.5 billion national settlement reached last summer that later fell apart. The state becomes the fourth to settle a tobacco lawsuit.

Three states settled before testimony began in their cases: Mississippi for \$3.36 billion, Florida for \$1.1 billion and Texas for \$15.3 billion. Besides Minnesota, 37 other states have lawsuits pending.

In closing arguments Thursday, a defense attorney asked the jury not to make a scapegoat out of the tobacco industry for the smoking habits of children. Robert Weber urged jurors to think critically as they weighed the state's and Blue Cross's \$1.77 billion damage claim against the 10 defendants.

"It's easier to talk about children than to say you want a bunch of

money," said Mr. Weber, who represents R.J. Reynolds Tobacco Co. "Don't let emotion get in the way of facts."

Summing up the industry's case, Mr. Weber said the plaintiffs failed to prove any wrongdoing by the defendants that caused the state or Blue Cross to incur additional health care costs.

Mr. Weber reminded the jurors that defense witnesses included the marketing executives behind R.J. Reynolds's Joe Camel ad campaign and the "Marlboro Country" campaign of Philip Morris Inc., who both testified that they never aimed their marketing efforts at children.

There are many reasons why adolescents smoke, but advertising is not one of them, Mr. Weber said.

EU Seeks U.S. Help Against Cigarette Traffic

Prosecutors Say American Companies Refuse to Release Data on Customers

By Raymond Bonner
New York Times Service

VIENNA — European governments, increasingly frustrated by the rising volume of American cigarettes smuggled into Europe, have decided to turn to Washington for help in investigating the suspected involvement of American tobacco companies, starting with R.J. Reynolds Tobacco Co., according to a senior European Union official.

It will be the first time for the EU to formally request help from the U.S. government in combating the illicit cigarette trade, and arises out of a conviction that the American companies are in complicity, European officials said. Prosecutors in Europe say that American tobacco companies have consistently

resisted their efforts to obtain the names of international customers in cases under investigation. Now they are asking the U.S. government for assistance.

Authorities say they believe that the manufacturers routinely sell American cigarettes to traders and dealers who immediately resell them into black markets set up to evade foreign taxes and offer leading brands at a discount.

"We are always puzzled how the cigarette manufacturers are paid and the only way we can obtain this information is from them," Per Birx Knudsen, director of the EU's anti-fraud unit, which is based in Brussels, said Thursday. "As Reynolds has previously refused any cooperation whatsoever, we intend to take up this issue with the U.S. authorities."

A spokesman for R.J. Reynolds International in Geneva, Axel Gietz, said that the company did not generally identify its customers but added that it had "always cooperated with authorities."

In an interview Thursday, Mr. Gietz also said that the company was continuing to sell to a trader who told The New York Times last year that his clients were smugglers.

Cigarette smuggling cost European governments \$1.5 billion in lost taxes last year, according to a report by the EU's anti-fraud unit released on Wednesday. Adding to the concern among European governments, the report says that organized-crime syndicates are running the smuggling operations.

Around the world, the largest tobacco companies are selling billions of dollars of

cigarettes each year into contraband pipelines, say law-enforcement officials. In the last decade, the volume of smuggling has nearly tripled, reflecting a general surge in cigarette smoking abroad, especially of American brands. Experts have estimated that about one-fourth of the cigarettes sold overseas now pass through smuggling rings.

In Washington, a spokeswoman for the Treasury Department said the government had "responded to similar requests from countries in the past" and that in this case, "we anticipate trying to be as helpful as possible."

The federal Bureau of Alcohol, Tobacco and Firearms is part of the Treasury Department.

Two recent seizures of smuggled American cigarettes highlight the problem in Europe. In one case, more than 80 million cigarettes, primarily Winston's worth more than \$3 million, were loaded by Reynolds, the second-largest tobacco company in the United States, onto ships in Charleston, South Carolina and Savannah, Georgia, and sent to Greece.

There they were immediately loaded onto a single ship belonging to a smuggling operation that took the contraband to Barcelona. Spanish customs authorities intercepted the haul last January.

In the other case, Spanish authorities last October seized a ship, the Sea Princess, carrying more than 120 million Winston cigarettes bound for the contraband market.

The midterm of the Sea Princess, Spanish and Belgian investigators said, was Michael Haenggi, one of Europe's biggest cigarette traders, who says he has been a Reynolds customer for 15 years and has frequently been a supplier to smugglers who bring Reynolds cigarettes into Spain.

The Reynolds spokesman denied Thursday that the company knowingly sold to smugglers, but he said that

Reynolds had decided to keep Mr. Haenggi as a customer even after he told The New York Times last summer that he sold to clients he knew to be smugglers.

The seizure in Barcelona now occupies investigators at the EU's anti-fraud unit, as well as in Spain and Greece. "The key to this case lies with the American authorities," a Greek official said. "They have to find out who paid Reynolds."

Investigators are convinced that Reynolds knew the cigarettes were destined for the black markets in Spain. "We intend to prove that," said Carlos Ramos Rubio, chief of the anti-corruption office in Barcelona, and the prosecutor in the case. He knows it will not be easy.

"Reynolds is very powerful," he said. "It's not easy to take them on. Reynolds will say they sold the tobacco legitimately, and it is not their responsibility to follow what happened to it."

Indeed, Mr. Gietz, the Reynolds spokesman, said that Reynolds had sold the cigarettes to a company with which it had "a long-standing relationship."

He said that company policy did not allow him to reveal the customer's name.

Officials at the European Union find it hard to believe that a company would sell more than 80 million cigarettes without knowing where they were going. Mr. Gietz said that the company checked on customers before selling to them. That included Mr. Haenggi, he said.

Last August, in an interview published in The Times, Mr. Haenggi told of an instance in which he sold 160 million cigarettes, to a Panamanian company, which then smuggled them into Spain by ship.

Mr. Gietz said that after article appeared, Mr. Haenggi had been closely questioned by Reynolds, and that the company had decided to continue its relationship with him.

POLITICAL NOTES



If Bill Richardson, the UN envoy, goes to Energy, he would replace Federico Pena.

Reports Tap Richardson For Chief Post at Energy

WASHINGTON — Although the move is not final, President Bill Clinton's next energy secretary is likely to be Bill Richardson, America's chief delegate to the United Nations, officials said.

Word spread through Washington that Mr. Richardson was poised to resign to move to the Energy Department. But Barry Toiv, a White House deputy press secretary, said Thursday that the reports were "at the least premature and could turn out to be wrong," adding: "This decision has not been made yet."

Mr. Richardson, in Washington to make a speech, called the reports "just press speculation on a premature report."

Asked if he had ruled out taking the cabinet job, he smiled and said, "We all serve at the pleasure of the president."

Mr. Richardson added that he was not ready to resign his UN post yet. "Absolutely not," he said. "I am the UN ambassador. I'm very happy in my job at the UN."

A former Democratic congressman from New Mexico, Mr. Richardson has been the top contender for the Energy job being vacated by Federico Pena, who announced April 6 that he would leave the cabinet this summer.

A source familiar with the thinking of Mr. Richardson said that the switch was probable and that he and Mr. Clinton were expected to talk soon. (AP)

Hubbell Enters Plea

WASHINGTON — Webster Hubbell, a close friend of Bill Clinton and a key figure in the Whitewater investigation, pleaded

not guilty Friday to conspiring to evade taxes on hundreds of thousands of dollars in income.

John Hubbell, Mr. Hubbell's lawyer, said he would challenge the 10-count indictment on the ground that it is "not within the scope" of the inquiry being conducted by the independent counsel, Kenneth Starr.

"Not guilty, your honor," Mr. Hubbell, a former associate attorney general in the Clinton administration, said of the charges as he stood before Judge James Robertson in U.S. District Court.

Three others charged with Mr. Hubbell — Suzy, his wife; Charles Owen, a tax lawyer, and Mike Schaufele, an accountant — also entered the same plea.

Mr. Hubbell's objection to the indictment is based on the fact that the indictment obtained by Mr. Starr is beyond the original mandate of the investigation. Mr. Starr is investigating the Clintons' ties to the owners of a failing Arkansas savings and loan and Mr. Hubbell was to have been a key witness in providing evidence about the president and first lady. The independent counsel has been investigating whether the payments to Mr. Hubbell were intended to encourage his silence in the Whitewater probe.

Mr. Hubbell, who then was first coming under criminal investigation, "performed little or no work" for the consulting fees he received in 1994, the prosecutors alleged in the indictment. (AP)

Quote/Unquote

Representative Sherwood Boehlert, Republican of New York, resisting further budget cuts by party leaders: "It's just a nonstarter. My constituents sent me here for a smaller, less costly government. They didn't send me here to dismantle the government." (AP)

Away From Politics

• A sophisticated criminal network operating mostly out of the United States has defrauded up to 400 people in at least 10 countries through a scam that collected more than \$60 million in processing fees for nonexistent venture capital loans, federal officials said. (NYT)

• A man who raped and killed a friend's fiancée and then took her engagement ring was executed in the electric chair in Alabama. Steven Allen Thompson, 34, waived any last-minute appeal, saying he wanted to spare further pain to his family and his victim's family. (AP)

• Tornadoes raced through four Southern

states, killing two people and injuring at least 20. Some of the worst damage occurred along the Georgia-South Carolina state line as storms swept eastward, damaging hundreds of buildings and knocking out power to the mostly rural region. (AP)

• A 6-month-old boy was in critical condition in Arlington, Texas, after being bitten nearly 100 times by his family's five-pound pet white rat. The 21-year-old mother of Lamonte Coruthers told the police that the baby had been asleep in a bedroom for 10 to 15 minutes when she went to check on him and found him covered with blood. The mother said she had heard the stereo on and had not heard any cries from him. (AP)

152 Older Boeing 737s to Be Inspected for Fuel-Tank Wiring Damage

By Don Phillips
Washington Post Service

WASHINGTON — Federal regulators have ordered airlines to remove 152 older Boeing 737s from service in the next week for inspections, acting with unusual speed after the discovery of a damaged wiring system in one jet raised concerns of a fuel tank explosion.

The unusually tight schedule for inspecting and overhauling the fuel tank wiring could cause some flight disruptions, Federal Aviation Administration officials said.

But it was unclear where any disruptions would occur, and several airlines affected by the emergency order said they could accommodate the fixes under the seven-day time frame.

The action Thursday was not a formal grounding of the jets, like the DC-10 grounding in 1979, and has thus far affected only a small portion of 2,900 737s in service worldwide. The 737 is the most popular passenger jet in the world.

The FAA also recently ordered inspections, though less rigorous, of several hundred 747 and 767 jets.

Officials said the discovery was serious. Rich Breuhaus, Boeing's chief engineer for fuel system safety, said that if the same problem occurred on other 737s, there would be "a potential for fire or explosion if conditions are right."

Officials said that they were confident that the possible risk to passengers in the next week was small, but that they would take further action if the inspections turned up new problems.

The agency's action comes several days after Continental Airlines mechanics, looking for a fuel leak on a 737, discovered pinholes in a metal pipe covering high-voltage electrical wires going to a fuel pump.

The pipe is supposed to prevent the wires from coming into contact with fuel or fuel vapors, Boeing engineers said.

These holes appeared to be the result of electrical arcing, or sparks, providing the first direct evidence that this could happen in pipes leading to fuel tanks.

Investigators have been examining why the center fuel tank exploded on Trans World Airlines Flight 800 in 1996, killing all 230 on board, but thus far have not settled on a cause.

Thursday's orders are the latest in a series of

actions that stem from the TWA inquiry. But both the FAA and Boeing discouraged speculation that a similar problem could have led to the TWA 800 explosion.

High-voltage wires run only to wing fuel tanks, not the center fuel tank that exploded on Flight 800.

The aviation agency theorized earlier, however, that a fire in a wing tank could travel via wing vent tubes out to wing tips, then back to the center tank.

The order requires a detailed inspection of the wiring and replacement of any damaged components. An extra teflon sleeve must be wrapped around all high-voltage wiring, which already has one layer of teflon insulation.

The aviation agency also ordered that all 737s

be required to add new insulation to high-voltage fuel-tank wiring, but on a more relaxed schedule because problems now cropping up appear to be related to age as measured in flight time.

In addition, the agency ordered less onerous inspections of fuel tank wiring in 264 Boeing 747s and 231 Boeing 767s to be certain that insulation was properly installed.

Those inspections were ordered because earlier inspections found one 767 conduit had no teflon insulation at all. The agency said it was unable to determine whether the omission was a maintenance problem or a manufacturing problem.

New-generation 737s, just now being built, are unaffected because they do not have high-voltage wires inside their fuel tanks.

Sybil Connolly, Fashion Designer, Dies

New York Times Service

NEW YORK — Sybil Connolly, who designed the linen dress that Jacqueline Kennedy wore in her White House portrait and elevated Irish design to high fashion, died Wednesday of a heart attack in Dublin, she was 77.

Miss Connolly, whose popularity spanned almost a half century, brought her collection to New York in 1953. She introduced gossamer hand-pleated handkerchief linen; spidery Carrickmacross lace and a sophisticated palette of hand-woven Irish Donegal tweeds. She was an early exponent of soft and casual clothes when Parisian designers were featuring rigid construction.

Miss Connolly was an active designer until her death. For many years, most of her designs were sold in the United States to scores of socialites, many at private showings. She also received clients at her 270-year-old mansion on Merrion Square in Dublin.

J. Gordon Lippincott, 89, Logo and Product Designer

New York Times Service
J. Gordon Lippincott, 89, an engineer and logo specialist who helped design the Campbell soup label, the Tucker

Torpedo automobile and the inside of the Nautilus nuclear submarine, died April 29 in North Haven, Connecticut.

When Joshua Gordon Lippincott, an engineer by training, joined forces in 1943 with Walter Margulies, an architect, the two men were hoping to make their mark through product design. They succeeded quite quickly. They designed hotel restaurants, changed the silhouettes of typewriters and selected colors for dishes. Three years after they started their company in New York, they received the Campbell packaging assignment.

Mr. Lippincott remained intrigued by design challenges. These included a task presented to him in 1947, when Preston Tucker asked for help styling the Tucker Torpedo, an automobile with a radical design. What emerged was a sleek vehicle Mr. Lippincott referred to as the "Tucker's dream car," which was the subject of a 1988 movie, came about when Mr. Tucker could not fulfill orders.

Alan Simpson, 85, Ex-President Of Vassar in 1960s and '70s

New York Times Service
NEW YORK — Alan Simpson, 85, the

president of Vassar College in the turbulent 1960s and '70s whose easygoing charm, wit and scholarship helped him weather not only a time of student protest but also the admission of men to the formerly all-women school, died Tuesday of pneumonia in Lake Forest, Illinois.

Like many college presidents of the era, the Oxford-educated Mr. Simpson became embroiled in student disputes over the Vietnam War, race, sex and coeducation. In 1969, he helped peacefully conclude a sit-in by a group of 35 students who were demanding an expansion of black studies programs.

In the mid-1970s, he defused a demonstration after the removal of the student editor of the college yearbook for attempting to publish photographs of nudes and, far more offensive in Mr. Simpson's view, for going over budget. His toughest challenge was handling the transition from an all-female student body to full coeducation in 1969. He served as president of Vassar until 1977.

Charles P. Arnot, 81, a former ABC foreign correspondent who covered the world's turmoil from World War II to Vietnam, died April 24 in Prescott, Arizona.

Mexico to Curb Rights Bloc

Italian Delegation Went to Embattled Chiapas

By Julia Preston
New York Times Service

TANIERLA, Mexico — The government has announced that it will expel most members of an Italian human-rights delegation from the southern state of Chiapas after they disobeyed immigration authorities and caused a melee in an Indian village.

The defiance Thursday of the 134 Italians denied the confrontation between Mexico and international nongovernmental groups over the work of human-rights observers in this country.

However, the Italians appear to have given the government several substantial reasons to say that they overstepped their bounds.

"We don't want revolutionary tourists in Mexico," said a deputy interior minister, Fernando Solis Camara. "We don't want any experiments with human-rights observation."

The Italians clashed with the immigration authorities in their drive to get to Tanierla, a Tzeltal Indian village, which troops occupied in April to help local supporters of the government in their fight with

Zapatista rebels. The Italian delegation includes four members of Parliament from left-of-center parties, representatives of several large city councils and a Roman Catholic priest. But most of its members are students and other young people who support the Zapatistas' cause and have no special expertise in human rights.

On Wednesday, the delegation announced that it would make the grueling road trip to Tanierla in a convoy of buses even though the government did not explicitly authorize travel there. In a practice that many rights groups question, the government has been placing restrictions on the places that observers can visit in Chiapas.

At midday on Wednesday, the convoy was stopped at an immigration checkpoint. Officials said that because of security risks only 10 members of the delegation would be allowed to go farther.

"We decided that we are all willing to face the security risk," said Federico Mariani, a spokesman for the delegation. "If the government says it cannot protect our safety in that village, something terrible must be happening there. We must find out."

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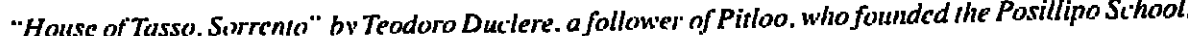
acteristic local sights. Out of this cottage industry emerged the School of Posillipo, whose leading exponents, operating outside the conservative constraints of the Academy, left some pictures that are both truly Neapolitan and rank among the best landscape painting of the last century.

Like the term *Fauve*, the expression Posillipo — from the name of the promontory to the west of the city that offers spectacular views of the bay, Vesuvius and the islands of Ischia and Capri — was originally dismissive, apparently used by loftier members of the Academy to denigrate the efforts of what they considered a rabbag of street artists serving the needs of passing tourists. In time, however, the label became a mark of distinction.

THE founder of the Posillipo School was a Dutchman, Anton Smnick Pitloot, who settled in Naples in 1816. His star pupil was Giacinto Gigante (1806-76).

Both Pitloot and Gigante were influenced by Turner. The best Posillipo paintings, done directly from nature in a variety of often mixed media — pencil, pen, ink, watercolor and tempera — combine spontaneity with exact observation and stunningly capture atmospheric lighting effects.

Pitloot died during the cholera epidemic of 1837, but left his mark on several distinguished followers, including Eduardo Dalbono and Teodoro Duculere. Gigante, who had become a hit with resident and visiting Russian aristocrats, was eventually summoned to court in 1850, became art master to the Bourbon princesses and was knighted.



in motion, hurtling toward the viewer. Cammarano painted this splendid work, which closes the exhibition, on his return from Paris, much affected by Delacroix, Gericault and French Romantic art. Though Naples continued in the post-unification period to give rise to local schools of art, it was to Paris, by then the dominant force, that most Neapolitan artists looked for inspiration.

perils, but also without friendship."

Despite all these earmarks of the typical Kundera novel, "Identity" remains the most compact and integrated of his recent fictions. In its brevity and unity of plot it surpasses even his previous book, "Slowness," his first to be written in French instead of Czech and shorter by half than his best-known works.

Does this mean that he has renounced the polyphonic novel with scrambled narrative and multiple authorial voices that has typified his major work? Or is "Identity" going one step further than "Slowness," where he seemed to be suggesting that form is both more liberating than its opposite and finally inseparable from content?

One clue is that by writing in a form that goes against one's expectations, Kundera has forced the reader to take nothing at face value, but instead to see as tricks what in other writers' works one might view as the straightforward elements of a story. As a result, the meaning of "Identity" keeps collapsing into its opposite like an optical illusion that can be seen two different ways.

The effect is like a film clip that is shown at the agency where Chantal works. "On the screen is a behind in a horizontal position, good-looking, sexy, in *close-up*. A hand is caressing it tenderly, one that is *not* this naked, compliant body. Then the camera pulls back and we see the body entire, lying on a small bed: It is a baby, with its mother leaning over it. In the next sequence she lifts him up and her parted lips kiss the lax, wet, wide-open mouth of the nursing. At that instant the camera draws in, and the same kiss suddenly becomes a sensual love kiss." As with the lovers' perceptions of each other in this arresting, slightly frightening story of ideas in opposition, everything depends on a slippery notion of identity that can change from one paragraph to the next.

New York Times Service

as for the alchemic power of light.

In another image in the exhibition, a mountain that has been turned into a sculptured, terraced rice paddy has the aura of an ancient temple, surrounded as it is by lush foliage and palm trees, the palm fronds glinting like delicate, polished gold. Here, the orderly horizontals of the terraces are nicely balanced with the unruly profusion of trees and above them, huge roiling clouds.

Forman lends her prints a pronounced sepia tone, which has the effect of accentuating Bali's unusual

Forman's photographs reveal sumptuous contrasts in the landscape.

light. This toning also highlights the pictures' subtext — that nature and man-made structures need not war with each other but can coexist in harmony.

An ancient seated stone Buddha with a piece of fabric draped over one shoulder and present-day offerings on its lap bears the marks of time and the elements, as though it too were part of the natural landscape. Conversely, a sliver of a waterfall cutting through thick foliage looks as though it might have been the result of human intervention.

Although the maturity of these images suggests that the photographer has

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ACROSS

1 "Say You Say Me" singer, 1965
 7 Gets ind of
 13 Gail's area
 19 1974 symphon
 20 Chang
 Kai-shek's capital
 21 Lizard
 22 Salesman's spie
 23 Put's forward
 25 In addition
 26 Gridiron specialist
 27 Prepare mushrooms
 29 Fall d'lecks to Caesar?
 30 Scottish landowner
 32 B.O. stop
 33 Seat option
 41 Saltimbocca
 43 Tides weavers
 46 Fall wear?
 50 Wallop
 51 C.H.C.
 52 Best Actress of 1957
 53 Minimum
 54 Took five
 55 Little bit
 60 Potato chip brand
 70 Koper underwear
 6 Peter Pan's loss
 2 "Red Red Wine" and "Gaztan"
 Lung Hui
 7 Hush
 9 Aunties
 Prime time for Nick
 Hot issue?
 2 Like the Kara Kum
 Groundwork
 Boy-meets-girl event
 Construction piece
 Called up
 Send out
 Something to

DOWN

10 Impromptu
 11 Take off
 12 Hurts
 13 Chested?
 14 "I'll Take —" (Bob Hope film)
 15 Not walk straight
 16 Suffered a cell-out
 17 Little white thing
 18 Rock group?
 19 Be a cast member of
 21 T-ops
 22 Cuckoo, abbr
 23 Actor Burton
 24 Ohnvious Presidential advisers?
 25 Take a loss on, or to speak
 27 Child's appliance
 28 Dungeons & Dragons sort
 29 Attorney's deg
 35 Judge Kenneth
 37 To be in
 Barcelona
 38 Kafka hero
 Gregor
 39 Captivate
 102 Florentine flower
 103 Confuse
 105 The Bible?
 106 Holiday punchers
 109 One by one?
 110 Jazz star
 111 Amette in "Beach Blanket Bingo"
 112 Rulerly ruler
 113 Like some college programs
 1 Made money
 2 Greeted source of 1930s
 3 Be composed (of)
 4 It's quary
 5 Water cooler
 6 Clanton foe
 73 Magdalen
 74 Magdalen (student)
 75 Subject of a Car and Driver rating
 10 Takeoff artist
 11 Part of w p m
 12 Pannywants
 13 Secretal thespian
 14 Con
 15 Poetic preposition
 16 Close
 17 Fill to the brim
 18 Put fodder away
 21 — Ste Marie
 22 Without a cure
 23 Helper, in brief
 31 No, for one
 33 "Halt!" in a call
 34 Queue at the bank?
 37 Plug in the mouth
 38 Veldt sights
 39 Spanish regality
 40 Bud
 41 Conundrum
 46 Bebe Neuwirth TV mlie
 47 Man of Principle
 48 Winter war
 49 Every 60 minutes
 50 Doo creation
 51 L.A. team vehicle?
 52 Short stay
 53 One way to stand
 54 Put the kibosh in
 56 Overzealous
 57 Dick
 58 An original Mouseketeer
 60 Amwar's predecessor
 64 Cuf if un-imp
 65 Saudi city
 68 Kind of acid
 70 Candy in Cameroon
 73 Ethyl acetate, e.g.
 74 Former forum
 87 Flatford
 76 It's always in verse
 78 Traver su
 79 Made annotations
 80 Whodunit motive, perhaps
 81 Garden variety
 82 Prepares for a shoot
 83 Gens like a
 84 Minor malady
 85 Dainty restaurant
 86 Without exception
 87 Flatford
 88 Impromp
 89 Strident wains
 93 Distance between rails
 90 Put off
 98 Blackthorn fruit
 99 Half of Finland
 100 Island feeder
 101 Dudes
 102 Two-Right's corp.
 104 Three min in the ring
 106 TV Lizard
 107 Moroccan treat

Solution to Puzzle of May 2-3

ACROSS
 1. SAY YOU SAY ME
 7. GETS IND OF
 13. GAIL'S AREA
 19. 1974 SYMPHONY
 20. CHANG
 21. KAI-SHEK'S CAPITAL
 22. SALESMAN'S SPIES
 23. PUT'S FORWARD
 25. IN ADDITION
 26. GRIDIRON SPECIALIST
 27. PREPARE MUSHROOMS
 29. FALL D'LECKS TO CAESAR?
 30. SCOTTISH LANDOWNER
 32. B.O. STOP
 33. SEAT OPTION
 41. SALTIMBOCCA
 43. TIDES WEAVERS
 46. FALL WEAR?
 50. WALLOP
 51. C.H.C.
 52. BEST ACTRESS OF 1957
 53. MINIMUM
 54. TOOK FIVE
 55. LITTLE BIT
 60. POTATO CHIP BRAND
 70. KOPER UNDERWEAR
 6. PETER PAN'S LOSS
 2. "RED RED WINE" AND "GAZTAN"
 7. LUNG HUI
 9. HUSH
 9. AUNTIES
 10. PRIME TIME FOR NICK
 10. HOT ISSUE?
 2. LIKE THE KARA KUM
 10. GROUNDWORK
 10. BOY-MEETS-GIRL EVENT
 10. CONSTRUCTION PIECE
 10. CALLED UP
 10. SEND OUT
 10. SOMETHING TO

DOWN
 10. IMPROMPTU
 11. TAKE OFF
 12. HURTS
 13. CHESTED?
 14. "I'LL TAKE —" (BOB HOPE FILM)
 15. NOT WALK STRAIGHT
 16. SUFFERED A CELL-OUT
 17. LITTLE WHITE THING
 18. ROCK GROUP?
 19. BE A CAST MEMBER OF
 21. T-OPS
 22. CUCKOO, ABBR
 23. ACTOR BURTON
 24. OHNVIOUS
 25. TAKE A LOSS ON, OR TO SPEAK
 27. CHILD'S APPLIANCE
 28. DUNGEONS & DRAGONS SORT
 29. ATTORNEY'S DEG
 35. JUDGE KENNETH
 37. TO BE IN
 38. BARCELONA
 38. KAFKA HERO
 39. GREGOR
 39. CAPTIVATE
 102. FLORENTINE FLOWER
 103. CONFUSE
 105. THE BIBLE?
 106. HOLIDAY PUNCHERS
 109. ONE BY ONE?
 110. JAZZ STAR
 111. AMETTE IN "BEACH BLANKET BINGO"
 112. RULERLY RULER
 113. LIKE SOME COLLEGE PROGRAMS
 1. MADE MONEY
 2. GREETED SOURCE OF 1930S
 3. BE COMPOSED (OF)
 4. IT'S QUARY
 5. WATER COOLER
 6. CLANTON FOE
 73. MAGDALEN
 74. MAGDALEN (STUDENT)
 75. SUBJECT OF A CAR AND DRIVER RATING
 10. TAKEOFF ARTIST
 11. PART OF W P M
 12. PANNYWANTS
 13. SECRETAL THESPIAN
 14. CON
 15. POETIC PREPOSITION
 16. CLOSE
 17. FILL TO THE BRIM
 18. PUT FODDER AWAY
 21. — STE MARIE
 22. WITHOUT A CURE
 23. HELPER, IN BRIEF
 31. NO, FOR ONE
 33. "HALT!" IN A CALL
 34. QUEUE AT THE BANK?
 37. PLUG IN THE MOUTH
 38. VELD T SIGHTS
 39. SPANISH REGALTY
 40. BUD
 41. CONUNDRUM
 46. BEBE NEUWIRTH TV M LIE
 47. MAN OF PRINCIPLE
 48. WINTER WAR
 49. EVERY 60 MINUTES
 50. DOO CREATION
 51. L.A. TEAM VEHICLE?
 52. SHORT STAY
 53. ONE WAY TO STAND
 54. PUT THE KIBOSH IN
 56. OVERZEALOUS
 57. DICK
 58. AN ORIGINAL MOUSEKETEER
 60. AMWAR'S PREDECESSOR
 64. CUF IF UN-IMP
 65. SAUDI CITY
 68. KIND OF ACID
 70. CANDY IN CAMEROON
 73. ETHYL ACETATE, E.G.
 74. FORMER FORUM
 87. FLATFORD
 76. IT'S ALWAYS IN VERSE
 78. TRAVEL SU
 79. MADE ANNOTATIONS
 80. WHODUNIT MOTIVE, PERHAPS
 81. GARDEN VARIETY
 82. PREPARES FOR A SHOOT
 83. GENS LIKE A
 84. MINOR MALADY
 85. DAINY RESTAURANT
 86. WITHOUT EXCEPTION
 87. FLATFORD
 88. IMPROMPTU
 89. STRIDENT WAINS
 93. DISTANCE BETWEEN RAILS
 90. PUT OFF
 98. BLACKTHORN FRUIT
 99. HALF OF FINLAND
 100. ISLAND FEEDER
 101. DUDLES
 102. TWO-RIGHT'S CORP.
 104. THREE MIN IN THE RING
 106. TV LIZARD
 107. MORROCCAN TREAT

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ART

Rothko: Timeless And Tragic

By Jo Ann Lewis
Washington Post Service

WASHINGTON — The Italian filmmaker Michelangelo Antonioni once remarked that he and Rothko shared the same subject matter: "nothingness." Even the critic Rothko most respected, Robert Goldwater, described the artist's goal as reducing painting to "a colored surface which represents nothing and supports nothing else."

Rothko (1903-1970) disagreed. "There is no such thing as good painting about nothing," he asserted. "The subject is crucial, and only that subject matter is valid which is tragic and timeless."

Underscoring gloom-as-subject in his work, Rothko told an audience of Pratt Institute art students: "There must be a clear preoccupation with death — intimations of mortality," he said.

Now the National Gallery, which fell heir in 1986 to hundreds of works by Rothko, has jumped into the argument. Refusing to take "nothing" as an answer, the curator Jeffrey Weiss has assembled the most definitive retrospective of Rothko's 40-year career.

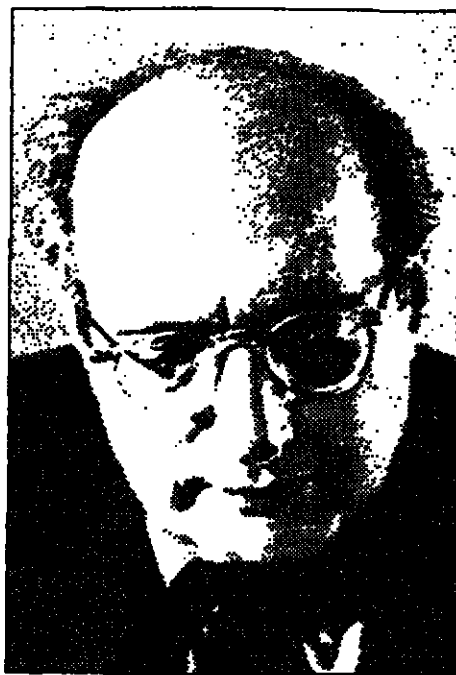
Weiss also mobilized a phalanx of scholars and friends of Marcus Rothkowitz — the Russian immigrant turned legendary New York abstract expressionist — who set out to prove in a catalogue that the formal complexities of his art refute any notion of nothingness. The catalogue highlights Rothko's often ravishingly beautiful, translucent clouds of color, a breath-like interplay of forms, prowling mists and muffled luminosities.

"You might as well get one thing straight," the artist said in 1957. "I'm not interested in relationships of color or form or anything else." He added, "I'm interested only in expressing basic human emotions — tragedy, ecstasy, doom, and so on."

After his breakthrough into pure abstraction in the late 1940s, Rothko explained he had done so to eliminate "all obstacles between the painter and the idea and between the idea and the observer."

For the visitor familiar only with Rothko's classics — stacked, floating rectangles of color — the figurative and surrealist works at the start of this show will be a surprise. Rothko was groping his way through a blocky, semi-abstract style.

A second gallery is filled with dreary, surrealist works from the '40s. But by 1948 the sun suddenly comes out, and the show begins to sing with the arrival of Rothko's first totally abstract paintings, which he called "multi-forms." Built from small, floating, soft-edged biomorphic shapes in luscious yellows, or-



Rothko, who refutes "nothingness."

anges and salmon pinks, they are among the most beautiful works Rothko produced.

By the following year, he had arrived at the vertical format that became his signature style: horizontal bands and rectangles of layered color floating over a base color that wraps around the sides of the canvas, eliminating frames. Titles, too, soon disappeared.

Even in the first breakthrough classic shown here, "No. 5" (untitled) of 1949, it appears Rothko was trying to rein in his chromatic virtuosity, quelling the sensuality of the lush lapis bands by adding a stripe of mud-like brownish gray.

In the galleries that follow, filled with classic Rothkos, colors take on ever more assertive roles. In "Untitled, 1953" a field of magenta at the top and a black field below seem to wrestle for space on the canvas, even as a thin strip of orange froth at the bottom seems about to slip out from under both of them.

AS Rothko's mastery increased, his canvases grew larger, his compositions more reductive, the mood more aggressively somber. He committed to progressively richer, darker color harmonies, sometimes so subtle that differences between field and ground could no longer be discerned. This trend continued until the final brown/black/wine-red climax of the paintings, adding drama at the point where Rothko, ill and seriously depressed, was soon to slit his arms and bleed to death on the floor of his Manhattan studio.

Could it be that a half-century after they were painted, these pictures have lost their ability to startle and mystify us? Our familiarity with Rothko has led to an ease in the presence of these works that did not exist in the 1960s. Maybe Rothko reminds us not that he has changed, but that we have — something gained but something lost.

A French Revival in the Works?

By Suren Melikian
International Herald Tribune

NEW YORK — Is Paris on its way to recovering its long-lost role as the European capital of the art market? Two events of considerable significance took place this week that make this seemingly improbable proposition a realistic possibility over a relatively short term.

One is the disclosure that the French businessman Francois Pinault had acquired 29.1 percent of Christie's shares previously controlled through a trust by the British investor Joe Lewis. The other is the French show of force at the Fine Art Fair, which opened here Thursday at the Seventh Regiment Armory.

The international media duly noted that the acquisition of a large chunk of Christie's shares paves the way for a possible takeover bid, but did not consider the broader picture. Pinault is far more than just a tough hands-on businessman, or even a "major buyer of 20th-century art." Those who know him describe him as the quintessential French collector — passionate, sophisticated, shrewd, with multiple interests ranging from Impressionist, Modern and post-World War II painting to royal French furniture. Not least, Pinault, who is a close friend of President Jacques Chirac, has a strong sense of French cultural identity.

A man with Pinault's business acumen and personal involvement in collecting must gnash his teeth at the mess that the commissaires-priseurs, the nearest equivalent to auctioneers in Britain or the United States, have made of the French auction system over the years. They allowed Sotheby's and Christie's to win the battle for supremacy in the international arena with superior, thoroughly rational organization, including sales arranged by category, catalogues distributed weeks in advance and widespread advertising made possible by the resources of two powerful auction houses as opposed to

the fragmented 70 or so Paris auctioneering groups.

Most frustrating of all perhaps is the thought that in the case of Christie's, which recently managed to overtake Sotheby's, long the dominant force, and to beat it by a short length in the sales race, French specialists made major contributions.

If Christie's in the last three years has come out as No. 1 in jewelry, this is largely thanks to Francois Curiel, head of Christie's jewelry department worldwide. Curiel, the son of a now retired antique silver and jewelry dealer, was steeped in the world of precious stones from early childhood. Highly regarded in the international gem trade — from New York, where he spent years, to Geneva, his current base — he is a formidable force.

So is Hugues Joffe, who played a key role in giving Christie's the lead in Contemporary Art sales and in redirecting some international flow of Impressionist and Modern art toward Christie's. In the last two years he has been running the Christie's show in France and nearly tripled the volume of business handled by his company.

OTHER Frenchmen hold important positions at Christie's. Frank Giraud is the head of the successful 19th- and 20th-century department, and Philippe Segalot, a highly regarded Contemporary Art specialist, now in New York, is due to return to Paris in July to step into his new role as director of the fine arts division. At Sotheby's, too, the French play a major role. Michel Strauss, the Impressionist and Modern art specialist, has been the linchpin in building Sotheby's strength since the early 1960s and remains its key man, and Alexandre Praderie in Paris is an authority in French furniture, etc. In short, a man with Pinault's interests has every reason to feel that with so much French talent exploited by others, urgent action is required.

And now is the time. France's European commitments mean that the laws that



A study of a nude woman by Pierre-Paul Prud'homme.

guaranteed the exclusive privileges of the commissaires-priseurs must be scrapped completely within a year. From a French perspective, tinged with more than a touch of national pride, the transition would be that much easier should the control of Christie's pass into French hands. It is hard to believe that such considerations were not at the back of Pinault's mind when he made his move. If that is correct, an outright attempt at taking over the company is in the cards and, were he to succeed, the probability is that the real decision making would be relocated to Paris.

This would change the entire world auction game. The Paris potential is enormous. Auctions do not develop in a vacuum. They require the presence of a vigorous art trade, and Paris has it. A cursory glance at the Fine Art Fair is enough to convince anyone of its resources. The masterpiece that stands out a mile at the armory hangs on the stand of Philippe Cazeau and Jacques de la Béraudiere. The view of Corot's house at Ville d'Avray near Paris, painted in the late 1860s, with its glazes intact, is not just a new discovery. It ranks among the French master's greatest landscapes. Cazeau and La Béraudiere also line up

three Fauve works — two by Dufy, including another sensational discovery, a hitherto unrecorded "14 Juillet," and a Marquet — worthy of any museum.

A few yards away, the Galerie Hopkins-Thomas-Custot displays a rare gem by Berthe Morisot, a harbor view painted on the Isle of Wight in 1875, which was featured at the Second Impressionist Exhibition. They also are showing "L'Anniversaire," a pastel mixed with gouache by Henri Fantin-Latour drawn in 1875 to honor Berlioz, already reserved by a leading American museum.

The Galerie Beres, best known for its sophisticated small-format paintings and drawings by French avant-garde artists from the 1830s to the 1950s, has another line in Old Master and Neoclassical drawings, in which it surpassed itself. The two studies of a man and a woman in the nude by Pierre-Paul Prud'homme, never illustrated before, are the talk of the town. Add an important Bonnard seaside view of 1930 at Daniel Malingue and Van Dongen's Fauve portrait of a clown displayed by Fabien Boulakos, which offers a striking anticipation of the yet-to-be German Expressionism, and the list of coups made by the French trade is impressive.

It can be equally brilliant in other fields, from French furniture to early rugs and tapestries. Not least, France is one of the few countries in Europe that has that other component essential for the development of a major auction base, a vast constituency of collectors large and small, passionately involved in their pursuit, as can be observed any day at Drouot.

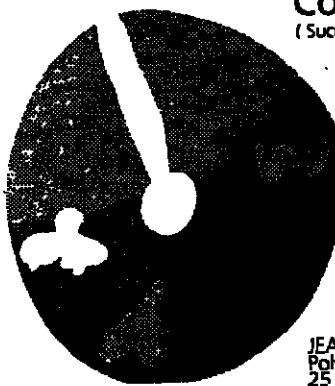
Given the right impulse, an art market revival could take off like a rocket. Pinault is the man who could give that impulse. He has the money, the political oomph, the art hunter's reflexes. This week's developments might yet turn out to be the most important for the world art market since the late Peter Wilson became chairman of Sotheby's four decades ago.

ARTS

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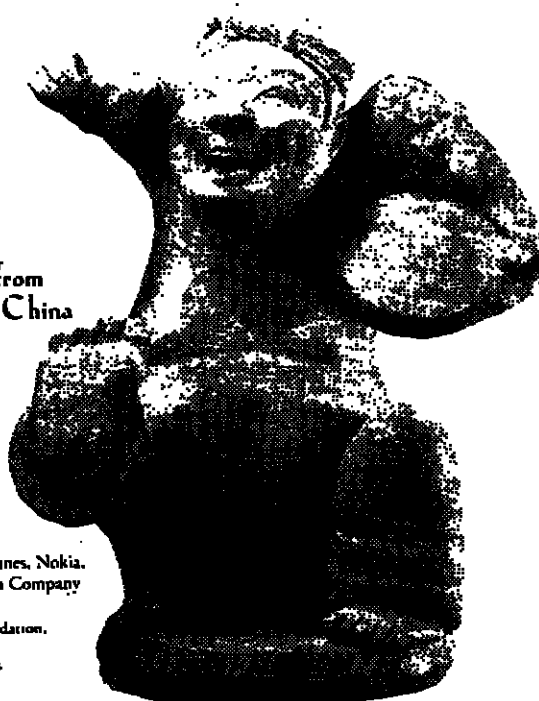
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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Executive Privilege

President Bill Clinton faces a choice following Judge Norma Holloway Johnson's decision to deny his executive privilege claim. He can allow the White House aides Bruce Lindsey and Sidney Blumenthal to testify before Kenneth Starr's grand jury, or he can appeal Judge Johnson's decision. If he chooses to appeal, he may succeed in delaying Mr. Starr's investigation by several months. But this will be primarily a stalling move — Mr. Clinton's claim will almost certainly fail one way or another. And when it does, it will have further weakened the idea of executive privilege for Mr. Clinton's successors and further diminished the legitimacy of the privilege in the public mind.

The notion of executive privilege was not a creation of the Watergate tapes case in 1974. In fact, presidents since George Washington have asserted the right not to disclose private executive branch communications. Executive branch secrecy is assumed in the Federalist Papers. And the Supreme Court itself appeared to recognize a sweeping privilege in the celebrated 1803 case of *Marbury v. Madison*, when it was confronted by a witness who felt that answering certain questions might breach executive branch secrecy. "There was nothing confidential required to be disclosed. If there had been he was not obliged to answer it; and if he thought that any thing he was communicated to him in confidence he was not bound to disclose it."

Well into this century, even some civil libertarians presumed a right to confidentiality in the executive branch. The President's authority under the Constitution to withhold from Congress confidential executive information, the disclosure of which, in his judgment, would be incompatible with the public interest, is altogether beyond question," wrote this editorial page in 1954.

The sense of executive privilege as a disreputable exercise of naked power comes from the Watergate era, when President Richard Nixon asserted the privilege not to shield conversations surrounding an act of state but to protect himself from evidence of his own criminal conduct. The resulting Supreme Court decision was clearly correct, but it has made it far more difficult for subsequent presidents to assert executive privilege — even legitimately. In other words, by litigating a case he never should have litigated, President Nixon weakened all of his successors.

Now Mr. Clinton argues that discussions of the Monica Lewinsky scandal among top White House aides are covered by the privilege. In a case with facts more related to public business, this assertion might be more plausible. But Mr. Clinton's claim is hampered by a deeply flawed premise. To protect himself from personal embarrassment, at least temporarily, he risks yet another decision that will weaken the office he holds.

—THE WASHINGTON POST.

Merger on Wheels

The proposed merger between Daimler-Benz and Chrysler — the largest industrial merger ever — appears to be good for Chrysler's shareholders and workers. The merger could boost Chrysler's European sales, now tiny, yet pose little threat to factory jobs in the United States. The two companies are vastly different.

Daimler focuses on luxury cars, Chrysler on its sport utility vehicles, pickup trucks and minivans. That means the companies cannot cut costs easily by consolidating production lines, sharing dealerships or restructuring businesses. But while the lack of overlap protects Chrysler workers, it also suggests that the merger, despite its size, might have little impact on the domestic or foreign auto industry.

Daimler no doubt hopes the merger will raise sales of luxury cars in the American market and help it tap Chrysler's highly successful assembly and design systems. Chrysler hopes to absorb Daimler's engineering quality. Yet there will be rough spots. Daimler's, and Germany's, corporate and labor systems are greatly different from Chrysler's. German law requires, for example, that representatives of

Daimler's well-paid workers sit as members of its corporate board. The history of mergers between automobile companies in different countries gives pause to anyone who thinks that culture clashes will be easily overcome.

U.S. Congress balked out a slumping Chrysler in 1980. Eighteen years later, a healthy Chrysler proposed to sell itself to high-bidding foreigners. That would mean some Americans who fear the loss to foreign ownership of one of the nation's major companies. But it should not bother shareholders, who will be paid well in shares of the merged company.

Nor should it upset American taxpayers, who were not harmed by the bailout. Chrysler repaid its debts faster than originally negotiated, and the bailout inaugurated almost two decades of prosperity for the company, allowing employment of thousands of workers who would have been forced out. Now the merger with a first-class company should help secure Chrysler's future long after consumer infatuation with minivans and sport utility vehicles, the salvation of Chrysler so far, fades.

—THE NEW YORK TIMES.

Protecting Species

The U.S. Interior Department's proposal to remove more than two dozen rare plants and animals from the endangered species list is not only a triumph for the bald eagle, the peregrine falcon, the gray wolf and their fortunate companions but also a vindication of the Endangered Species Act, which made their survival possible.

The act is the most controversial of all the landmark environmental statutes enacted in the 1970s. Among the critics trotted out over the years is that it does not really work and causes more aggravation to developers and landowners than it is worth to the species. As this past week's proposal makes clear, however, the act does indeed work. That should send an important message to those in Congress who would weaken it or cut the funds necessary to carry it out.

Under the proposal, announced by Secretary of the Interior Bruce Babbitt, 17 plant species and 12 animal species will be removed from the endangered list completely or downgraded to a lower level of protection over the next two years. Although some of the species will continue to receive federal protection, many will be entrusted to state agencies. Mr. Babbitt will need to make sure that the states have programs in place to ensure that the species continue to flourish once Washington withdraws its protective shield.

The timing of this announcement had as much to do with persuading Congress of the program's value as it did with his scientists' assessment that the

species could now survive pretty much on their own. The Endangered Species Act is celebrating its 25th birthday and is also up for reauthorization. But since neither of the reauthorization bills in the Senate and House is going anywhere, which means that the act as originally written remains in force, the administration's focus has shifted to the appropriations committees.

Mr. Babbitt has asked for a \$30 million increase in funds to help carry out the purposes of the act, from \$70 million to about \$100 million. Among other things, the money would help underwrite scientific research, breeding programs to help the species multiply and land purchases necessary to provide important habitat.

The \$30 million request is hardly outrageous. But this is a budget-conscious Congress. It is also essentially the same Congress that, in 1995, bowed to logging and other commercial interests and imposed a yearlong moratorium on new listings by preventing the Interior Department from carrying out vital field research. The American alligator was the first animal to be removed from the endangered species list, back in the 1970s. In the next 20 years, only six more species recovered enough to merit de-listing. Wednesday's proposed de-listing was the largest in the history of the act. But 1,135 species remain on the list. A generous Congress can guarantee even more success stories in the years ahead.

—THE NEW YORK TIMES.

For Cambodia, Justice and Hun Sen Don't Mix

By Stephen J. Morris

WASHINGTON — The United States is pursuing two worthy goals in Cambodia: a democratic election, and the bringing to justice of Khmer Rouge members responsible for the killing of more than a million Cambodians from 1975 to 1978. But these goals are being pursued separately and ineffectively. The U.S. government does not understand that they are integrally connected. Full democratization is a precondition for justice.

The idea that there can be free elections in Cambodia on July 26 is a cruel joke. Since his putsch last July, Hun Sen and his supporters have murdered more than 100 opponents, intimidated many others and blocked the opposition's access to the mass media.

The purveyors of this joke are Cambodia's Asian neighbors, along with France. For its own reasons, the United States has not strongly opposed them but instead has made moves to arrest the leaders of the anti-Hun Sen Khmer Rouge faction that arrested Pol Pot.

Pol Pot did not carry out his crimes single-handedly. He was assisted by an inner circle of close collaborators, scores of regional and district political-military commanders, hundreds of village cadres and thousands of members of their armed detachments.

The general pattern of social revolution was initiated at the highest level. Lower-level commanders and functionaries carried out those orders. Only a small percentage of these guilty men are now on the run from government forces in western Cambodia.

Some former decision-makers and most of the triggermen still alive are members or supporters of Hun Sen's unelected government, or are prospering under the protection of a government amnesty.

Hun Sen has presided over a restoration to power of the Khmer Rouge without Pol Pot.

The process began when the Vietnamese selected some 80 cadres who had defected from the Khmer Rouge to provide the political backbone of the puppet government they installed after invading Cambodia and overthrowing Pol Pot's regime in 1978.

The restoration accelerated after the UN-sponsored elections of 1993.

In 1996, a former Pol Pot foreign minister, Ieng Sary, defected to the government with 1,500 troops, and several senior commanders with thousands more troops rallied to the gov-

ernment under the approving gaze of the American ambassador.

The elected first prime minister, Prince Ranariddh, had supported a policy of competing with Hun Sen for Khmer Rouge defectors by offering amnesty. But Hun Sen was far more successful at this game.

Hun Sen has fully integrated Khmer Rouge defectors into the command structure of his Communist-style Cambodian People's Party. Last July, when he discarded the fig leaf of coalition government that had concealed his seizure of power in 1993, the putsch relied upon many Khmer Rouge defector units.

Hun Sen learned from his Vietnamese tutors that the best foundation for sustaining dictatorship in Cambodia today is Khmer Rouge support.

That is why no genuine accounting for the atrocities of Pol Pot's time can be made while Hun Sen is in power. He presides over a regime that protects and is sustained by the very targets of an honest international tribunal.

The United States has no common interest with China and Vietnam on the Cambodia question. Beijing and Hanoi fear the inspirational effect of democracy there. They also fear the implications for themselves of an investi-

gation of former Khmer Rouge figures. Nor does America have the same priorities as the ASEAN members, which are preoccupied with the East Asian financial crisis and, other than the Philippines, are not themselves models of democracy.

France, as usual, is pursuing a sphere of influence among its former colonial subjects. Japan is pursuing influence in the only region of Southeast Asia where it has no notoriety for World War II atrocities.

None of the nations that are apologists for Hun Sen has the slightest interest in the welfare of Cambodia's people.

The U.S. policy of seeking out only the remnants of Pol Pot's inner circle gives the impression of an attempt to divert attention from Cambodia's undemocratic present and future. It is a feel-good substitute for a thorough cleansing of Cambodia's political life.

Only a law-governed democratic Cambodia will satisfy the basic political aspirations of its people and provide the institutional base for an honest reckoning with Cambodia's past.

The writer is a fellow at the Paul H. Nitze School of Advanced International Studies. He contributed this comment to The Washington Post.

Debating the IMF's Role in a Tumultuous New World

By Jim Hoagland

WASHINGTON — George Shultz would dismantle the International Monetary Fund, yesterday if he could. Paul Volcker would strengthen the Fund to iron out the spreading wrinkles of global capitalism.

Indonesia's rulers defy, plot with or ignore the Fund, according to the moods and needs of the day. Their citizens riot against economic pain inflicted by the Fund's rules.

In Birmingham, England, next weekend, French and American leaders are likely to lock horns during the Group of Seven industrial nations summit meeting over French ideas on giving the Fund some supervision of private international investment flows.

After a half-century of quiet labor on balance of payments problems, the secretive and staid IMF finds itself embroiled in controversy around the globe. Its critics come from virtually every point on the political spectrum, agreeing on only one thing:

The Fund and the international financial system it heads

have been woefully inadequate in dealing with the continuing Asian financial crisis.

Mr. Shultz and others even fear that the IMF and its ally in Asia, the U.S. Treasury, are actually contributing to Asia's problems and to more devastating capital crunches to come.

He voiced that fear recently in testimony to a congressional committee. The Fund encourages investors and bankers to take imprudent risks by providing taxpayers' money to bail them out, he said. The man who was Richard Nixon's Treasury secretary and Ronald Reagan's secretary of state urged Congress to turn back "a pattern of escalation of ambitions of the IMF."

Mr. Shultz goes too far. The IMF is a lightning rod for the financial storms kicked up by the reshaping of the world economy by the forces of technology, expanding capital markets, education and democracy.

Pushed by the United States, the Fund stepped into the Asian crisis not because of ambition but because there was no one else to deal with the problem. That is the real problem.

Asia's troubles show that in the four years since Mexico's currency debacle the world's most powerful political and financial leaders have taken no effective action to prepare the Fund, or other international institutions, to deal with the financial consequences and vulnerabilities of globalization.

This is not even an Asian crisis, Mr. Volcker, former chairman of the Federal Reserve, said in a recent speech at Johns Hopkins University. The collapse of Indonesia, Thai, South Korean and other currencies and markets is "only the latest, and most dramatic, episode in a series of events that raise some basic questions about global finance and its implications for economic development."

Mr. Volcker then endorsed

the IMF as "the only vehicle we have to bring consensus and legitimacy to reform of the financial system on a global scale."

But that goes too far for the Clinton administration, which opposes broad reform of the world's financial system, led by the IMF or by anybody else.

Treasury Secretary Robert E. Rubin argues that moments of crisis are the wrong time for monkeying with basic architecture. He favors incremental action — such as upping the U.S. contribution to the IMF by \$18 billion, which will encourage other countries to add \$65 billion to the Fund's reserves — and opposes anything that would change a global status quo that America dominates.

But the incremental approach is in trouble, as Asia's economies show signs of sinking once again.

Following Mr. Shultz's testimony, the House speaker, Newt Gingrich, was said to be leaning toward not scheduling a vote on the \$18 billion request this year. Democratic leaders in Congress

would use this retreat as ammunition for November, when they will run against an isolationist, do-nothing Republican Congress that imperils America's standing in the world.

But in their different ways Mr. Shultz and Mr. Volcker establish that a historic conflict of big ideas about market efficiency and economic justice in the era of globalization is under way, with the IMF serving as a catalyst. Mr. Rubin's voice is missing in that debate as he concentrates on technical fixes and warding off pressures to change a system created 50 years ago for different purposes.

That strategic absence, more than Republican isolationism, is the problem with Mr. Rubin's \$18 billion request. It may now fail, both as legislation and as an election issue, unless the administration can quickly show that this new money is part of a new strategy for dealing with international financial problems that America's success in penetrating other markets has helped create.

The Washington Post.

In the Middle East, Illusions Get in the Way of Peace

By Flora Lewis

PARIS — As it celebrates its 50th anniversary, Israel is a stronger, more prosperous and more divided state than ever before. The government sealed off Gaza and the West Bank during recent celebrations as a necessary security precaution.

This irony is at the heart of the story. There has been profound and dramatic change in Israel since 1948, and nothing has been settled, not even what it means to be a Jewish state.

The founders knew what they intended: a place of refuge and ingathering to enable the Jews so long dispersed and persecuted to become a "normal nation." I remember the exultation of the first Israeli chief of police, who happened to be a Frenchman, saying: "Now we have Jewish

policemen arresting Jewish criminals and Jewish prostitutes — our own country." Survival was always the first problem, and for that population growth was necessary. The first big wave of new migrants came from Arab lands. The influx of Russian Jews, now nearly a million in Israel, was scarcely foreseen.

But least expected among the pioneers was the rising voice and power of orthodoxy. For political reasons, David Ben-Gurion left wide legal scope to the rabbinate, even accepting that the state could have no formal constitution because the Torah served as founding principle.

Now, orthodoxy is coming to redefine the meaning of survival, not just security but Jewishness itself. A fellow guest of former President Chaim Herzog told me once, when I complained about the assertiveness of the ultra-religious: "Why do you suppose there aren't 60 million Jews in the world, after so many generations? It's not because of the Holocaust. It's our assimilation. We owe our survival to the orthodox."

But later, a photographer from Tel Aviv, who had just been observing angry Jewish settlers in Hebron, said: "I don't feel I belong in the same state. I belong to the state of Tel Aviv." Ze'ev Chafets, former spokesman for Likud and for Prime Minister Menachem Begin, writes disdainfully of the

"political rabbinism intent on turning the Jewish state into a kosher Iran."

What they do agree on is the need for security. Israel has peace treaties with two Arab neighbors and overwhelming military power. But it does not feel safe.

Meanwhile, the Palestinians have changed, too. Concluding after the watershed defeat of three Arab armies and the occupation of the lands they held in 1967 that they could not expect salvation from outside, the Palestinians set out to organize their own destiny. After the Gulf War in 1991, it was recognized that this would have to be achieved by compromise; by accepting the legitimate existence of Israel.

The Oslo accord launched the "peace process," not yet peace itself but an implicit agreement that it would be reached through separation of the territory of historic Palestine into two states. It was a tremendous breakthrough, irreversible in the sense that neither side could continue to deny the existence of the other. The hope was that step-by-step negotiations would bolster the confidence of both enough to take the ultimate hard decisions.

That has failed. Now Yasser Arafat says he will proclaim a state on May 4, 1999, the date set by Oslo for concluding final negotiations, whether or not the

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11th Hour for the Presidential Election

By Don Kirk

MANAKI CITY, Philippines — Members of the Philippine elite were told to laugh at Joseph Estrada's bid to become president.

Many other Filipinos, not so much. Estrada's bid to become president is a political career and the threat to the status quo.

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ECONOMIC SCENE

U.S. Auto Union

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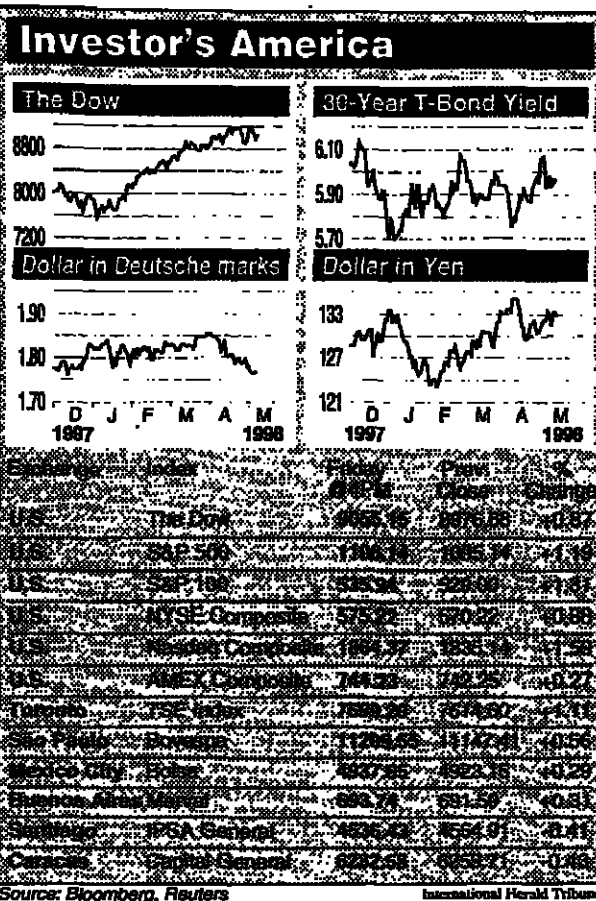
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THE AMERICAS



Very briefly:

- Advanced Magazine Publications Inc. said that its Conde Nast Publications division will acquire WIRED Magazine from Wired Ventures Inc. Acquisition terms were not disclosed.
- Canada's unemployment rate fell to the lowest level in seven and a half years in April as expanded business services and retail sales provided more jobs than expected, pushing the jobless rate down to 8.4 percent.
- GTE Corp. said it had filed a federal lawsuit in Washington to block or at least delay WorldCom Inc.'s proposed \$37 billion purchase of MCI Communications Corp.
- The IMF's role in Asia is important, two-thirds of executives of the largest American corporations believe, and nearly all say the U.S. government should approve increased funding for the body, a survey conducted by the Business Council found.
- Michael Jackson, the pop star, has met with casino officials and shopped for land to build a casino, hotel and theme park complex in the U.S. Virgin Islands, the Virgin Islands Daily News reported.
- U.S. West Communications Group said it would increase the price of local pay telephone calls in seven states by 10 cents, to 35 cents a call.

Liz Claiborne and Union Accused

NEW YORK — Liz Claiborne Inc., the clothing manufacturer, and Unite, the principal garment industry union, have been accused in a lawsuit filed in the U.S. District Court in Manhattan of conducting "a massive fraudulent scheme" to destroy one of Claiborne's sweater suppliers, Mademoiselle Knitwear Inc. of Brooklyn.

Claiborne and the union, officially the Union of Needletrades, Industrial and Textile Employees, denied the charge.

Dollar Tips Lower
On Talk by Japan
Of a Stronger Yen

NEW YORK — The dollar fell against the yen Friday after Japan's finance minister, Hikoichi Matsunaga, said his country would take steps to strengthen its currency.

But the dollar rose against other major currencies.

Reduced expectations that Germany's central bank will raise interest rates next week drove the dollar

FOREIGN EXCHANGE

higher against the Deutsche mark.

Mr. Matsunaga's remarks came in London as he met the U.S. Treasury secretary, Robert Rubin, ahead of a meeting of finance ministers from the Group of Seven nations.

Reiterating past comments, Mr. Matsunaga said Japan would sell dollars "when appropriate" to stop "excessive" drops in the yen. The Bank of Japan showed its penchant for defending the yen when it sold dollars on April 9 and 10, driving the dollar down 6 yen.

"One of the things that is going to keep the dollar in check is people know the Bank of Japan has intervened in the past," said Fernando Medina, senior currency trader at Banco Atlantico.

The dollar was quoted at 4 P.M. at 132.845 yen, down from 133.30 yen on Thursday. It rose to 1.7694 DM from 1.7655 DM.

The dollar rose to 5.9327 French francs from 5.9297 francs Thursday. The U.S. currency was quoted at 1.4797 Swiss francs, up from 1.4730 francs. The pound fell to \$1.6355 from \$1.6485 on Thursday.

Wall Street Cheers Employment Report

Compiled by Our Staff From Dispatches

NEW YORK — Stocks rose Friday after a report on U.S. unemployment offered little cause to worry about inflation and on indications that corporate profits are expanding.

General Electric helped blue-chip issues rise after its chairman predicted annual revenue of \$125 billion by 2000. GE rose 1 1/16 to 83 3/16, helping lift the Dow Jones industrial average 78.47 points, to 9,055.15.

"GE is indicative of what's happening in American industry today," said Michael Manns, a money manager at American Express Asset Management. "Low interest rates

and benign inflation" coupled with a more productive work force means "stocks can appreciate."

The market's advance was triggered by a government report that showed the jobless rate fell to

U.S. STOCKS

4.3 percent in April, the lowest since 1970. Even so, slower growth in manufacturing jobs suggested that the economy may slow enough in coming months to let the Federal Reserve forego raising interest rates.

The broader market also was strong, with the Standard & Poor's

500 index closing 13 points higher at 1,108.14 and gaining issues outnumbering losing ones by a 9-to-5 ratio on the New York Stock Exchange.

Technology stocks were strong, with the Nasdaq composite index rising 29.24 points to close at 1,864.38.

Microsoft was the most actively traded U.S. issue, rising 2 1/4 to 85 1/4 after falling Thursday on worries about the company's antitrust troubles with state and federal attorneys. State attorneys general will not halt the launch of Microsoft's Windows 98 software but intend to chal-

lenge restrictions that the company wants to place on computer makers, a source close to their discussions said Friday.

Intel, which, according to a Business Week report, may also face antitrust action, rose 3 to 84.

Ascend Communications rose 2 1/4 to 45 1/4 after analysts at Cowi & Co. and Donaldson Lufkin & Jenrette Securities Corp. issued buy recommendations on the stock.

Dell Computer rose 5 1/16 to 94 1/16 a day after saying it would build personal computers with faster digital modems to speed access to the Internet.

Auto stocks were strong on expectations that the drive to save money, speed product development and increase market share may force more companies to follow the example of Daimler-Benz, which is acquiring Chrysler.

Analysts say coming merger could involve huge companies like Ford and General Motors, who have admitted to be shopping around for attractive deals. GM rose 1 1/4 to 68 1/4 and Ford gained 1/4 to 45 1/4.

Sports Authority and Woolworth fell on concerns about Woolworth's proposed acquisition of the specialty retailer. Sports Authority fell 1 1/16 to 16 1/16 and Woolworth also lost 1 1/16 to 21 3/16.

Drug stocks were strong as investors looked for more breakthroughs like Pfizer's anti-infective drug Viagra. Pfizer rose 2 1/4 to 117 1/4 and Merck rose 2 1/4 to 117 1/4.

(Bloomberg, AP, Reuters)

Retailers Fete Quarter's Sales Bonanza

By Jennifer Steinhauser
New York Times Service

NEW YORK — U.S. retailers have reported their best monthly sales gains in four years, capping one of the healthiest quarters of retail sales in almost a decade.

Sales in retail stores open at least a year rose 10.2 percent in April, according to the Goldman Sachs Retail Composite Index.

For the first quarter of 1998 — which for retailers runs from Feb. 1 to April 30 — same-store sales, or sales in stores open a year, rose 6.5 percent, according to the report Thursday. That was far above any other quarter in the past 10 years with the exception of the first quarter of 1994, when sales rose 7.9 percent.

The numbers are so good, we can't even fit them on our spreadsheet page," said Jeffrey Feiner, a retail analyst at Lehman Brothers.

Nearly every piece of economic data over the last two years has pointed to consumers willing to spend. Unemployment has been at its lowest in a century and inflation has remained almost nonexistent. At the same time, the stock market has been buoyant, and consumers have been buying new homes and autos and traveling.

Despite all this good news, however, spending in general retail stores has mostly lagged behind, with many stores actually losing money many months of the year. Retailers turned a corner this spring, however, helped by a combination of the failure of several chains over the past two years, tighter inventory management

among retail companies and shoppers who have decided that it is time to restock their closets.

"If you look at 1996," said Richard Bann, a retail analyst at Goldman Sachs, "retail sales were up 3 percent. In 1997, we crept up to 4 percent. But now, we are up 6 percent, year to date. People feel good about going out and spending money."

Overall, all types of merchandise sold well in April, with the cheapest and the most expensive stores faring the best, as has been the trend for several quarters.

"Warm weather sent people out shopping for apparel, and things were by and large sold at full price," Mr. Feiner said. "Given trends in inflation and interest rates, we do not believe the consumer is spent out."

JOBS: U.S. Economy Stays on a Roll as Unemployment Rate Drops and Inflation Keeps Out of View

Continued from Page 1

come from companies. Analysts cited weather-related factors and the Easter holiday for some of the unusual patterns. Taken as a whole, the report "really says that people left the labor force," Mr. Shipley said. Since that is unlikely in a growing economy, Mr. Shipley added, "these guys are going to be showing up" in subsequent reports.

The reaction in the financial markets supported his view that the data did not indicate a labor shortage.

In the bond market, which is the most sensitive to interest-rate concerns, prices dropped sharply as the figures were announced, but then recovered as investors studied the details of the report. The yield on the 30-year Treasury bond edged up to

5.97 percent from 5.95 percent.

One notable element of the jobs report on Friday was that 10,000 factory jobs were lost last month, possibly reflecting competition from Asian imports. After the sharp falls in Asian currency values last year, the dollar prices of exports from the region have declined, providing an anti-inflationary counterweight to the U.S. expansion.

Mr. Shipley said the fall in manufacturing employment was a sign of declining inflationary pressures.

Another factor that argued against a rate rise was "the big drop in the workweek," according to Cary Leachy, chief U.S. economist at High-Frequency Economics, a consultancy in Valhalla, New York. Hours worked at all nonfarm enterprises fell 0.4 percent, to an av-

erage 34.4 per week, while manufacturing hours dropped 2.7 percent to 40.7 hours.

"What really counts in terms of figuring out GDP growth," Mr. Leachy said, "is what the people who are gainfully employed do." He said the falling workweek and first-quarter data on inventory accumulation suggested that the gross domestic product would grow at about a 2 percent annual rate in the second quarter, down from the 4.2 percent rate of the first quarter.

If the economy slows to that range, he said, the Fed would be unlikely to engineer a rate increase, no matter what the unemployment rate is.

Looked at that way, the stock market's rise Friday is understandable. The Dow has gained nearly 15 percent this year, even though cor-

porate profit growth has slowed.

This means that price-to-earnings ratios, one of the most important valuation indicators on Wall Street, have been rising to record levels.

That has raised concern of a speculative bubble on Wall Street, in which people bid stock prices higher in a kind of herd mentality that does not relate to business prospects. Mr. Leachy said this could lead the central bank to push rates higher because the inflation in asset prices might spill over into goods and services, but he noted that the "most visible sign of a speculative bubble, large increases in real estate values, does not seem to be present."

One reason for the rise in stock and bond prices is the flow of cash into retirement accounts. These have become popular in the United States

and are growing in attractiveness

abroad because demographic trends make it unlikely that state pension systems will provide comfortable retirements. This is one reason that some analysts say that valuation measures such as price-to-earnings ratios and dividend yields are sustainable at their current record levels. (Dividend yields are at record lows.)

Another reason, Mr. Shipley said, has been the near-perfect economic environment of the past few years, during which GDP has expanded at rates of between 2 percent and 4 percent a year with little inflation. "The stock market likes moderate economic growth," he said, "because with moderate economic growth you get stable-to-declining interest rates and you get earnings growth."

AMEX

Friday's 4 P.M. Close
The 300 most traded stocks of the day, up to the closing on Wall Street.
The Associated Press.

Stock	Price	High	Low	Limit	Change
IBM	125.00	125.50	124.50	125.00	+0.50
Microsoft	85.00	85.50	84.50	85.00	+0.50
Apple	45.00	45.50	44.50	45.00	+0.50
Oracle	35.00	35.50	34.50	35.00	+0.50
Amazon	25.00	25.50	24.50	25.00	+0.50
Google	15.00	15.50	14.50	15.00	+0.50
Yahoo	10.00	10.50	9.50	10.00	+0.50
Alibaba	5.00	5.50	4.50	5.00	+0.50
Netflix	3.00	3.50	2.50	3.00	+0.50
Spotify	2.00	2.50	1.50	2.00	+0.50
Twitter	1.00	1.50	0.50	1.00	+0.50
LinkedIn	0.50	0.75	0.25	0.50	+0.50
Facebook	0.25	0.50	0.00	0.25	+0.50
Instagram	0.10	0.25	0.00	0.10	+0.50
Snapchat	0.05	0.10	0.00	0.05	+0.50
TikTok	0.02	0.05	0.00	0.02	+0.50
WhatsApp	0.01	0.02	0.00	0.01	+0.50
Telegram	0.00	0.01	0.00	0.00	+0.50
Signal	0.00	0.01	0.00	0.00	+0.50
Zoom	0.00	0.01	0.00	0.00	+0.50
Slack	0.00	0.01	0.00	0.00	+0.50
Dropbox	0.00	0.01	0.00	0.00	+0.50
OneDrive	0.00	0.01	0.00	0.00	+0.50
Google Drive	0.00	0.01	0.00	0.00	+0.50
Microsoft OneDrive	0.00	0.01	0.00	0.00	+0.50
Apple iCloud	0.00	0.01	0.00	0.00	+0.50
Amazon Drive	0.00	0.01	0.00	0.00	+0.50
Google Photos	0.00	0.01	0.00	0.00	+0.50
Microsoft Photos	0.00	0.01	0.00	0.00	+0.50
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Microsoft Photos					

German Jobless Rate Tips Down to 11.4%

FRANKFURT — Unemployment dropped in Germany to 11.4 percent in April from 12.1 percent the month before, but the number of people without jobs hit another peak, the federal labor office said Friday.

About 4.42 million people were out of work in April, 202,700 less than in March, but 74,000 more than in April last year and a record high for that month.

On a seasonally adjusted basis, the number of people who were out of work fell 25,000, to 4.39 million, as joblessness in Eastern Germany showed a decline that has been anticipated for some time.

Western Germany's jobless rate was 9.5 percent in April, compared with 10.0 percent in March, while the Eastern rate fell to 19.4 percent from 20.6 percent.

Chancellor Helmut Kohl's government, facing general elections in September in which unemployment is a key issue, said improvements in the labor market were "unmistakable," but that more job creation was needed.

"Despite this gratifying news, the unemployment in Germany is too high," the government said. "It remains the No. 1 political challenge."

The head of the federal labor office in Nuremberg, Bernhard Jagoda, attributed the decrease in the jobless rate to seasonal factors, make-work programs and a steadier economy. He said it was not clear whether the improvement would continue.

Separately, the Bundesbank said in its monthly jobs report that "signs of stabilization in the labor market are growing," at least in Western Germany.

But for the fourth straight month, activists protested in cities throughout Germany as the jobless figures were released. They demanded that the government do more to create jobs. In Frankfurt, about 300 people rallied in a central square, blowing whistles and carrying signs demanding jobs.

Rudolf Scharping, the parliamentary leader of the opposition Social Democrats, said that joblessness was "dramatic" despite the April figures. Some analysts said the improvement in the labor market had probably come too late to help Mr. Kohl's coalition in the elections.

Separate data released Friday showed that new orders to Germany's manufacturing industry had dropped 1.3 percent in March, as orders from domestic companies slumped.

Combined with a report Thursday that March industrial output had fallen, the figures could cast doubt on a government prediction of growth as high as 3 percent this year, after a 2.2 percent expansion in 1997. (AP, Reuters, Bloomberg)

Swiss Advance On Jobs Front

BERN — The jobless rate in Switzerland fell to 4.2 percent in April from 4.6 percent in March, according to data released Friday, as the number of unemployed fell 11,786 from the previous month to 153,897.

After years of belt-tightening, Swiss companies such as Novartis AG, a drug maker, have begun creating more new jobs than they are shedding, as demand at home and abroad accelerates. The Swiss economy is expected to grow about 2 percent this year, according to the Swiss National Bank, which predicts the strongest growth since 1989.

The jobless report comes after a number of indicators pointed to accelerating growth. Industrial activity expanded for a fourth month in April, the Swiss Association of Purchasing Managers said this week.

"The index of leading economic indicators, a gauge of future economic growth, rose 1.5 percent in March from a year earlier.

The unemployment rate has been falling since February 1997, when it reached a record 5.7 percent.



A protester in Berlin, carrying a sign that reads "Share work fairly." The number of jobless in April set a record for the month.

Chip Sales Take a Global Dip

Worldwide sales of computer microchips fell by 4.9 percent in March from a year earlier as oversupply lowered prices for memory chips, an industry association announced on Friday.

Sales fell to \$10.429 billion, the Semiconductor Industry Association said. The decline followed six months of steadily slowing growth since September.

Only Europe among the four regional markets tracked by the association — including the Americas, Japan and the Asia-Pacific region — had sales growth of more than 1 percent during the month.

"The chip industry is cyclical," said George Scalise, president of

Sales Surging, Eurobonds In '98 Could Hit \$1 Trillion

LONDON — The European bond market is on track for a record \$1 trillion of new issues this year, as borrowers taking advantage of near-record low yields give investors a wider range of securities to choose from.

As of May 6, \$402.7 billion of Eurobonds had been sold, outstripping the \$273 billion sold at that point last year, according to Capital Data Bondware, which tracks bond sale figures.

Moreover, with investors already expecting a rise in official interest rates in the United States, the world's biggest economy, and in Germany, Europe's benchmark economy, it is unlikely that higher rates will dampen demand for new bonds.

"If you annualize the amount already sold, it works out to more than \$1 trillion," said Peter Price, head of fixed income at Hill Samuel Asset Management, which oversees \$8 billion (\$13.2 billion) of bonds. "Government bond markets are discounting interest rate rises so even if the Bundesbank hikes, it likely won't slow down new sales."

It's not the first time the market has looked set to hit the \$1 trillion mark. Last year, when \$90 billion of new bonds went on sale in January, bankers began to expect a \$1 trillion year. A slump in Asian stocks, bonds and currencies in the second half of the year smothered demand for emerging market debt, however, and the market total only reached \$746 billion by 1997.

So far, this year's only threat to the bond market setting a 13-digit record is the prospect of higher interest rates in Europe and the United States, reflected in the interest rate futures market.

The three-month September dollar contract has an implied rate of 5.73 percent, or 4 basis points more than the current three-month rate offered between banks.

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
4500	6200	4200
4000	5000	3000
3500	4000	2000
3000	3000	1000
2500	2000	500
2000	1000	0
1500	0	0
1000	0	0
500	0	0
0	0	0

Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam AEX	1,163.88	1,163.34	+0.54	
Brussels BEL-20	3,999.48	3,999.47	+0.01	
Frankfurt DAX	5,857.58	5,857.58	+1.38	
Copenhagen Stock-Index	751.50	751.50		
Helsinki HEX General	4,929.29	4,909.38	+0.41	
Oslo OBX	738.44	739.82	-0.19	
London FTSE 100	5,989.88	5,938.00	+0.54	
Madrid Stock Exchange	553.25	552.04	+0.14	
Milan MBTEL	24015	23917	+0.12	
Paris CAC 40	4,988.57	4,984.54	+0.06	
Stockholm SV 16	1,569.27	1,548.86	+1.46	
Vienna ATX	4,772.98	4,739.35	+0.71	
Zurich SPI	4,772.98	4,739.35	+0.71	

Very briefly:

- Robeco Groep NV, the asset management arm of Rabobank Nederland, said it would buy Weiss, Peck & Greer LLC for an initial payment of \$375 million, plus up to \$200 million more over the next five years depending on future profit at the U.S. asset-management firm.
- Hillsdown Holdings PLC said it would shed its chilled-food, house-building and furniture divisions, which make up a third of its sales, as part of a reorganization program amid falling profit.
- Scandinavian Airlines System and Lithuanian Airlines aim to establish a strategic partnership no later than Sept. 1.
- Granada Group PLC and Carlton Communications PLC said they were on track to launch their British Digital Broadcasting venture in the fourth quarter, and forecast strong profits.
- Petrofina SA, the Belgian oil concern, said it was signing a venture with the German chemicals company BASF AG to build the world's largest naphtha steam cracker, a machine that breaks up chemical compounds, in the United States.
- MAN AG, the German truck and machinery maker, posted an 18 percent rise in sales for the nine-month period ended March 31, to 15.8 billion Deutsche marks (\$8.9 billion).
- A U.S. communications satellite successfully went into orbit after blasting off aboard a Russian Proton rocket from the Baikonur cosmodrome in Kazakhstan, space officials said.
- Pharmacia & Upjohn Inc., the Swedish-American pharmaceutical group, said it expected to see double-digit profit growth in the next few years.

WORLD STOCK MARKETS

Friday, May 8	High	Low	Close	Prev.	World Index	High	Low	Close	Prev.	Regional Indices	High	Low	Close	Prev.	Capital Goods	High	Low	Close	Prev.	Consumer Goods	High	Low	Close	Prev.	Energy	High	Low	Close	Prev.	Finance	High	Low	Close	Prev.	Miscellaneous	High	Low	Close	Prev.	Raw Materials	High	Low	Close	Prev.	Services	High	Low	Close	Prev.	Utilities	High	Low	Close	Prev.																																												
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12 Month High Low Stock Div Yld % 52 Wk High Low 100-1000 1 and 2nd Fls

High Low High Low PE 100 High Low Low City

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3242	18	ABBA	-86	14	24	346	313	2529
3243	2774	ABBA	-86	14	24	346	313	2529
3244	20%	ACE LM1	322	9	10	1482	274	2619
1114	10	ACAH	90	82	9	279	109	109
89	74%	ACM OP	43	72	72	117	89	89
3245	16%	ACM SC	50	9	9	101	101	101
70	4%	ACMS	84	84	84	1045	9	694
15	12%	ACMS1	350	160	9	604	134	134
10	10%	ACM MI	50	9	9	29	9	9
3246	16%	ACM	-	-	-	379	719	274
3247	16%	ACM	-	-	-	379	719	274
3248	16%	ACM	-	-	-	379	719	274
3249	16%	ACM	-	-	-	379	719	274
3250	16%	ACM	-	-	-	379	719	274
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3411	16%	ACM	-	-	-	379	719	274
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3417	16%	ACM	-	-	-	379	719	274
3418	16%	ACM	-	-	-	379	719	274
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10%	20	23%	19%	1.72	4.9	22	2360	25%
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435	24%	24%	24%	3%
469	24%	24%	24%	3%
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107	2.6%	2.6%	2.6%	-%
77	17%	17%	17%	-%
44	7%	7%	7%	-%
252	2.2%	2.2%	2.2%	+%
46	17.9%	16.9%	17.0%	+2%
323	3.3%	2.9%	3.2%	+1%
282	3.7%	3.2%	3.5%	+1%
262	3.7%	3.2%	3.5%	+1%
262	3.7%	3.2%	3.5%	+1%
431	4.0%	4.0%	4.0%	-%
59%	4.0%	4.0%	4.0%	-%
763	2.0%	2.5%	2.5%	-%
718	2.5%	2.5%	2.5%	-%

Sugawara
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By Sandra Sugawara
for Plaintiff

TOKYO—Six ailing credit unions in Japan announced Friday that they would shut their doors, the first of what are expected to be a series of closures of small institutions as authorities move to clean up the nation's financial system.

The savings accounts and healthy loans of the credit unions will be handed over to banks or healthier credit unions, the Finance Ministry said.

"I would not be surprised to see a lot more of this, this year and next, because the Ministry of Finance is fairly committed to cleaning up the banking system," said J. Brian Waterhouse, a London-based analyst with HSBC Securities.

For years, ignored banks after the November term. His official job they won weak in. In recent have said that, but bailout in year by I

...the ...

SEOUL — South Korea's largest business group, Daewoo Group, said Friday that it would reduce its stakes in 20 and raise \$2 billion in foreign funds by 2000 for restructuring.

Following four other big South Korean conglomerates, Daewoo unveiled its restructuring plan, vowing to concentrate on automobiles, electronics, heavy industry and telecommunications.

AN ECONOMIC

BEIJING—An economist with the People's Bank has denied writing a biting paper on China's economic prospects that was delivered in his name at a conference in Australia, a central bank spokesman said Friday.

The paper, which was delivered at a conference at the Australian National University this week, was attributed to the chief economist of the People's Bank of China. It warned of a grave impact from the Asian financial crisis on the Chinese economy and urged the government to avoid a premature move to devalue the yuan.

But the central bank spokesman said Mr. Yu, who was among the paper's authors, had been listed as co-author of the paper and Friday that he had written it himself. "We are more diligent," said Song Li-gang of the National University.

Mr. Song said he had incorporated some of the economist's research in compiling the paper (AFP).

16. Result not in question.

Director, Michael Curran, blasted two proposals regarding the potential leakage of the trust, which is authorized in the U.S. Japan-U.S. Economic and Maritime Partnership and Treaty of Security and Defense, which he said are "inadequate. Mr. Curran

U.S. calls for Tokyo

celebrate banking reform
the deregulation of
markets.

Mr Matsunaga said
would take any
strengthen the yen
commitments helped
dollar down by half a
Friday, to 132.83 in
York trading.

Real estate

stimulus packages, as the drop in the Ameri-

ing in Birmingham, England, next weekend.

Mr. Blair's initiative, however, is being taken seriously by other senior ministers for the first time just as an attempt to restore some of the informal atmosphere of the meetings when they were held in the 1970's.

Separately, Mr. Rubin endorsed his recent criticism of Japan's economic employment rate in a column Friday, which speculated about the U.S. interest rates that support the dollar.

The Group of 30 includes the United States, Britain, France, Italy and 11 Ministers from East and West Germany. Japan joined the meeting last year after discussions about a monetary policy.

...would prosper. "It's

...for everybody." If serious things happened regarding the UAW and the new corporation...

Damler is not an unknown quantity to the UAW. The union represents workers at Damler's Freightliner, heavy-duty truck plant in Mount Holly, North Carolina, and the International Truck Division.

...we haven't been... some mergers before... said. "You've got... questions when you... between Mack... We can't..."

■ Shareholders F...

Chrysler Corp. shareholders on Friday sued Damler...

other bids for the ex-

of Metal Goods back further. The two groups have worked closely together since the end of World War II. Last February, for example, the UAW sponsored a Washington seminar with top leaders of the U.S. economic model and German unions to explore how it might be applied to the German economic system.

"We have personal relationships that are very well established," Mr. Stillman says. "As you look out ahead, you do not have a desire to cut men and lay off workers. We're not looking in the rear view mirror at workers being paid one against the other."

But even if things do not work out, one top UAW official predicted the union

Chicago News-
Daily: Friedman,
Maryland Linotype
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ASIA/PACIFIC

6 Japanese Credit Unions to Close

By Sandra Sugawara
Washington Post Service

TOKYO — Six ailing credit unions in Japan announced Friday that they would shut their doors, the first of what analysts expect will be a series of closures of small institutions as authorities move to clean up the nation's financial system.

The savings accounts and healthy loans of the credit unions will be handed over to banks or healthier credit unions, the Finance Ministry said.

"I would not be surprised to see a lot more of this, this year and next, because the Ministry of Finance is fairly committed to cleaning up the banking system," said J. Brian Waterhouse, a Tokyo-based analyst with HSBC Se-

curities. He added that the closure of additional small institutions would not necessarily be a symptom of a collapsing banking system, but rather a step toward needed consolidation.

For years, Japanese authorities have ignored calls that they close down weak banks and financial institutions. But after three major bankruptcies last November rocked Japan's financial system, Finance Ministry and central bank officials privately began indicating that they would seek an orderly closure of weak institutions.

In recent weeks, Japanese authorities have said they now had the funds to do that, because of a \$227 billion bank bailout measure approved earlier this year by Parliament. The funds are in-

tended to be used to inject capital into banks, especially those taking over failed institutions, and to beef up the banking deposit-insurance system, which guarantees most deposits at institutions that are closed down.

There are 349 credit unions in Japan, most quite small. They were designed to serve small companies and local residences of an area. Phil Jones, an analyst with Thomson Bank Watch, said that many credit unions lost out when banks began expanding their business to go after more individual customers and small companies.

Nara Credit Union will be closed, and its healthy operations will be transferred to Nanto Bank, the second largest regional bank in the Osaka area.

Sagamihara Credit Union will hand over its healthy operations to Yachiyo Bank, Kanagawa Shoko Credit Union to Kawasaki Shinkin Bank and Shonan Credit Union to Asahi Credit Union.

The three failed credit unions had a total of \$435 million in bad loans, according to Kyodo. Although all three are from the same region, south of Tokyo, the closures are not expected to have any impact on the local economy because of their small size and because their operations will be transferred to other institutions, said analysts. Two credit unions in western Japan — Yamaguchi Shogin and Shimane Shogin — will transfer their operations to Hiroshima Shogin.

Very briefly:

• PT Garuda Indonesia plans to return six McDonnell Douglas MD-11 planes it leased and sell five Airbus 300-B4s to cut costs as passenger traffic plummets. The move will eliminate about 20 percent of the national airline's fleet.

• The Securities Commission of Malaysia suspended the trading licenses of two stock brokerages, MBF Northern Securities and Labuan Securities. The brokerages were the targets of trading restrictions earlier this year because they could not meet minimum capital requirements. If they fail to comply with requirements by July 11, their licenses will be revoked.

• Malaysia saw the opening of a huge shopping mall, Suria KLCC, at the foot of the Petronas towers, the world's tallest buildings, despite the country's economic slump. The mall has 90,000 square meters (1 million square feet) of floor space, 80 percent of which already has been leased.

• Sumitomo Corp. has cut its forecast for net profit for the year ended March 31 by 27 percent, to 22 billion yen (\$165.1 million) because of losses on its stock portfolio and provisions for settling copper-trading lawsuits. Sumitomo said it had set aside 19.8 billion yen to pay claims on lawsuits filed in connection with \$2.6 billion in copper trading losses.

• Sanwa Bank Ltd. sold off tens of billions of yen in stockholdings during the past business year as part of a push to trim away unprofitable business and increase return on equity. The bank declined to provide precise figures.

• Intel Corp.'s Asian earnings have been underpinned by strong personal computer sales in China, which have helped offset the effects of a slowdown in the rest of the region, James Jaret, a senior executive, said. He said the Chinese market for PCs is projected to grow by as much as 30 percent this year. Andy Grove, Intel's chairman, said he was optimistic about the region in the long term but cautious in the medium term.

• Mizuno Corp., a sporting-goods maker that sponsors the golf pro Nick Faldo, posted a loss of 291 million yen for the six months ended March 31, compared with a profit of 860

Investor's Asia

Hong Kong	Singapore	Tokyo
Hang Seng	Strait Times	Nikkei 225
13000	2000	17800
12000	1800	17000
11000	1600	16400
10000	1400	15800
9000	1200	15200
8000	1000	14600
1997	1997	1997
1998	1998	1998
Exchanges	Index	Friday
		Close
Hong Kong	Hang Seng	10,050.88
Singapore	Strait Times	1,420.75
Sydney	All Ordinaries	2,780.50
Tokyo	Nikkei 225	15,143.09
Kuala Lumpur	Composite	588.85
Bangkok	SET	396.42
Seoul	Composite Index	373.04
Taipei	Stock Market Index	6,210.84
Manila	PSE	2,209.96
Jakarta	Composite Index	4,345.55
Wellington	NZSE-40	2,229.85
Bombay	Sensitive Index	4,022.26
		4,069.79

million yen a year earlier as sales dropped 3.4 percent, to 86.75 billion yen. Analysts said the company was hit by slack consumer spending.

• Philippine car sales fell 51 percent in April, to 3,075 vehicles, as the economy slowed and high interest rates and the falling peso slashed demand.

Daewoo Planning \$7 Billion Restructuring

Compiled by Our Staff From Dispatches

SEOUL — South Korea's third-largest business group, Daewoo Group, said Friday that it would reduce its 37 subsidiaries to 20 and raise \$7 billion in foreign funds by 2000 for restructuring.

Following four other big South Korean conglomerates, Daewoo unveiled its restructuring plan, vowing to concentrate on automobile, electronics, heavy industry and telecommunications.

It also said it would reduce the debt-equity ratio of its manufacturing sector from 413.8 percent at the end of 1997 to 183.8 percent by the end of this year through selloffs, including its most prized assets.

Separately, Credit Suisse First Boston confirmed that it is considering whether to help Dong-Ah Group, South Korea's 10th-largest industrial group, raise \$500 million and avoid bankruptcy. (AFP, Bloomberg)

An Economist's Spat in China

Compiled by Our Staff From Dispatches

BEIJING — An economist with the People's Bank of China has denied writing a biting paper on China's economic prospects that was delivered in his name at a conference in Australia, a central bank spokesman said Friday.

The paper, which was delivered at a conference at Australian National University this week, was attributed to Yi Gang, chief economist of the People's Bank of China.

It warned of a grave impact from the Asian financial crisis that would put pressure on China to devalue its currency this year. But the central bank spokesman said Mr. Yi had denied writing the paper.

An Australian academic who had been listed as co-author of the paper said Friday that he had written it himself. "The views are mine alone," said Song Li-gang of Australian National University.

Mr. Song said he had incorporated some of the central bank economist's research in compiling the paper. (AFP, Reuters)

G-7: Optimism Voiced on Asia

Continued from Page 9

aging director, Michel Camdessus, floated two proposals for improving the political legitimacy of the fund, which has been criticized in the U.S. Congress as a remote and technocratic bureaucracy, and the Group of Seven itself.

In a speech here, Mr. Camdessus said the fund's consultative interim committee should be transformed into a council with decision-making powers, a move that would enhance the IMF role played by politicians. He also urged the G-7 and Russia to meet every other year with 16 other countries that hold seats on the executive boards of the IMF and World Bank.

Ministers deliberately played down expectations for the current meeting, if only to ensure that President Bill Clinton, Prime Minister Tony Blair and other heads of government will have some results to trumpet when they gather for their annual summit meeting in Birmingham, England, next weekend.

At Mr. Blair's initiative, the leaders are meeting separately from their senior ministers for the first time this year in an attempt to restore some of the informal atmosphere of the meetings when they were begun in the 1970s.

Separately, Mr. Rubin moderated his recent criticism of Japan's economic

policies in a meeting with Finance Minister Hikaru Matsunaga. He said he shared Japan's concern that the weakness of the yen could widen Japan's trade surplus with the United States, and he welcomed as important the package of tax cuts and public works projects approved by the government last month.

But Mr. Rubin added that Japan needed to carry out the fiscal package "quickly and effectively," and he renewed U.S. calls for Tokyo to accelerate banking reforms and the deregulation of product markets.

Mr. Matsunaga said Japan would take steps to strengthen the yen, and the comments helped push the dollar down by half a yen on Friday, to 132.83 in late New York trading.

But many currency analysts remained skeptical toward the yen, given disappointment with past Japanese stimulus packages, and given the drop in the American unemployment rate to 4.3 percent Friday, which fueled speculation about a rise in U.S. interest rates that could support the dollar.

The Group of Seven includes the United States, Japan, Britain, Germany, France, Italy and Canada. Ministers from Russia will join the meeting Saturday for discussions about employment policy.

UNIONS: German Connection

Continued from Page 9

situation for everybody "if certain things happened regarding the UAW and the new corporation."

Daimler is not an unknown quantity to the UAW. The union represents workers at Daimler's Freightliner, heavy-duty truck plant in Mount Holly, North Carolina, and the International Association of Machinists represents manufacturing workers at the company's headquarters in Portland, Oregon.

But the UAW's relationship with IG Metall goes back much further. The two groups have worked closely together since the end of World War II. Last February, for example, the UAW sponsored a Washington seminar with top leaders of both unions to explore the U.S. economic model and how it might be applied to the German economic system.

"We have personal relationships that are very well established," Mr. Saitman said. "As you look out ahead, you do not have a desire to cut costs and lay off workers. We're not looking in the near term at workers being pitted one against the other."

But even if things do not work out, one top UAW official predicted the union

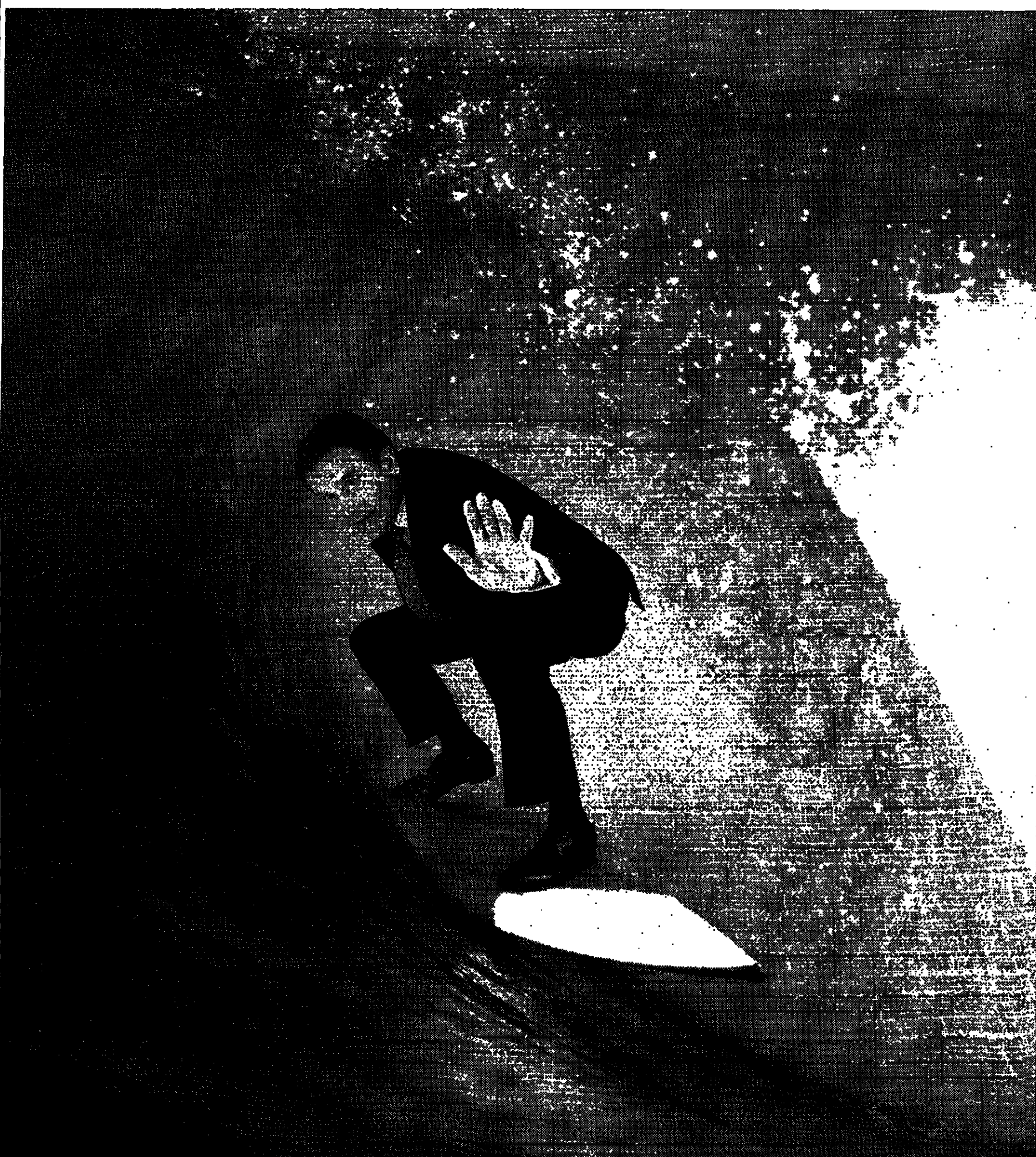
would prosper. "It's not like we haven't been through some mergers before," he said. "You've got cultural questions when you're dealing between Michigan and Wisconsin."

Shareholders File Suit

Chrysler Corp. shareholders on Friday sued to block Daimler-Benz AG's acquisition of the U.S.'s third-largest automaker, saying Chrysler officials should have solicited other bids for the company, Bloomberg News reported from Wilmington, Delaware.

Dinah Friedman and the Maryland Linotype Composition Co., both Chrysler stockholders, filed suit in Delaware Chancery Court in Wilmington, arguing Chrysler executives did not maximize shareholders' investment because the company did not open itself up for bids before it was sold. The suit does not specify how many shares Ms. Friedman and the company own.

"Given that Daimler-Chrysler will be a German entity, Chrysler shareholders are effectively surrendering the right under law to a proper process designed to obtain the best price reasonably available" for the company, the suit said.



BUSINESS UNUSUAL.

Every Sunday at 19:30CET.

The companies making waves today aren't the ones playing by the old conventions. Introducing a new show on CNN that showcases business success stories borne of inspiration, creativity and uncommon business leadership. Hosted by Lou Dobbs, broadcast worldwide.

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BUSINESS UNUSUAL
with Lou Dobbs

CNN
INTERNATIONAL

Friday's 4 P.M.
The 1,000 most traded National Market securities:
In terms of dollar value, updated twice a year.
The Associated Press.

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項目	單位	數量	金額	備註
一、基本建設投資				
1. 房屋建築				
2. 廠房建築				
3. 倉庫建築				
4. 道路建築				
5. 橋樑建築				
6. 水電設施				
7. 其他建築				
二、更新改造投資				
1. 房屋維修				
2. 廠房維修				
3. 倉庫維修				
4. 道路維修				
5. 橋樑維修				
6. 水電設施				
7. 其他維修				
三、其他投資				
1. 購置設備				
2. 購置材料				
3. 其他支出				
合計				

By Aline Sullivan

SPOTTING the next takeover target in the travel and transport industry has more to do with timing and strategy than with luck. The secret is to home in on companies that are exploiting a niche and have management discipline to stick to it, analysts and fund managers said. But analysts then get back and wait.

Anyone looking for clues could do worse than follow the moves of Budget Group Inc., owner of Budget Rent A Car. It's the world's third-largest car and truck rental company. Budget Group recently took over the Arizona-based Cruise Vacations Inc. in a deal worth \$178 million stock and assumed debt. Analysts are generally bullish about the deal, noting that Budget was well placed to continue expanding.

One source of many analysts is the cruise shipping group. Hapag-Lloyd, which is a publicly traded stock exchange AG and has been around since 1847, announced last week that it expects 1990 revenue to reach \$2.5 billion and that the next five years bear tourism and container shipping business. But it needs expansion in charter airlines and travel agencies — and it needs to acquire a major stake in German air operator Lufthansa International — and use its fleet for marketing.

But there is a dark, perverse side to the move. Speculative investment because of the great problem of overcapacity fly.

Mr. Martin, who works at Morgan Stanley & Co. in New York, said he is nervous about approaching all the companies for acquisition.

Travelers probably take another year or two and will be left with a particularly bloated fleet of the acquired

Friday's 4 P.M. Close
(Continued)

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JANUARY 1970, more than 500 top money managers gathered for the Institutional Investors Conference in New York. They were asked "what stock they thought would be the best performer for the year ahead." The consensus choice was National Student Marketing Corporation. By July, it had traded at \$147 a share. It had collapsed to \$7 a share later. It was out of business.

I traced this anecdote 16 years ago to a book by David Dreman, "Contrarian Investment Strategy." I was amazed I became a ferocious convert to contrarianism, a style of investing in which the experts are doing the funds what the opposite.

Mr. Dreman is the king of the contrarians, and over the past 20 years his research has supported his original conclusions. For example, it is now reasonable that stocks with low price-to-earnings ratios — in other words, cheap stocks — are shining — do better than stocks with high P/E's. Stocks with low price-to-sales ratios, or stocks with dividend yields... all signs of

work makes investors a few years ago. Recently, he called them and it was up 32.5 percent and 22.8 percent compared to the rest of the market. He said, "I'm not a contrarian," said Dr. Dreman. "I'm a conservative. I'm not a contrarian. I'm a conservative. I'm not a contrarian. I'm a conservative."

In the current market, he says, "I'm a contrarian. I'm a conservative. I'm not a contrarian. I'm a conservative. I'm not a contrarian. I'm a conservative."

Cos. is the maker of stocks/Adm. Its fund is a just 40% stock of the assets low turnover remaining for eight years.

Mr. Dreman's Contrarian Generation looked upon

Staying Put To Go Far in Travel Sector

As Takeovers Flourish, Niches Provide Clues To Deals in the Making

By Aline Sullivan

SPOTTING the next takeover target in the travel and transport industry has more to do with timing and strategy than with luck. The secret is to home in on companies that are exploiting a niche and have the management discipline to stick to it, analysts and fund managers said. Buy the shares, then sit back and wait.

Anyone looking for clues could do worse than follow the moves of Budget Group Inc., owner of Budget Rent a Car, the world's third-largest car and truck rental company. Budget Group recently took over the Arizona-based Cruise America Inc. in a deal worth \$138 million in stock and assumed debt. Analysts were generally bullish about the deal, predicting that Budget was well placed to continue expanding.

Also attractive to many analysts is the German shipping group Hapag-Lloyd AG, which was itself acquired last year by Preussag AG and has been expanding since. It announced last week that it will spend \$3 million Deutsche marks (\$1.7 million) over the next five years on its core tourism and container shipping businesses. Plans include expanding its charter airline and travel agency businesses — it plans to acquire a majority stake in the German tour operator Touristik Union International — and investing in freight forwarding.

The airline industry holds a perverse attraction for many speculative investors, probably because of the great sums involved in making jets fly. Kevin Murphy, airline analyst at Morgan Stanley & Co. in New York, said he thought the industry was approaching "the final leg" of consolidation.

"The process will probably take another three years to play out and will be of benefit to everyone, particularly shareholders in some of the acquired companies," he said.

Mr. Murphy identified Alaska Air Group, the parent company of Alaska Airlines Inc. and Horizon Air Industries Inc., as the most appealing of the smaller U.S. carriers.

"It is a great company, which could make it on its own but is also well worth taking over, particularly by Northwest Continental," he said. Other potential takeover targets include Trans World Airlines Inc., Midway Airlines Corp., Midwest Express Holdings Inc. and Africa West Holdings Corp., he said.

Some of the British charter companies are also attractive takeover candidates, said Mark Shields, vice president in the aviation practice at Mercer Management Consulting in Washington, D.C.

"British Midland has smart management and a disciplined strategy," he said. "But it still is a small carrier and could be a takeover target someday."

He also identified Britannia Airways, monarch and Ireland's Ryan Air as potential acquisitions.

But Stephen Klein, transport analyst at Standard & Poor's Corp. in New York, cautioned that buying shares in mall airlines in anticipation of a takeover bid could prove disappointing.

"The big airlines wouldn't stand a chance of swallowing up the little ones in today's regulatory environment," he said. "They are better off marketing themselves and their partners as seamless entities."

Hans Plickert, a consultant at Greenwich Aviation Advisors in Connecticut, agreed and added that labor considerations would make significant airline mergers unlikely in the current climate.

Continued on Page 17

High (Tech) Stakes: Buying What the Big Guys Buy

By Conrad de Aenlle

IF A SMALL high-technology company is good enough for Microsoft Corp., Intel Corp. or one of the other giants of the industry to invest in, it should be good enough for you, right? It depends on which company is buying and with what intentions.

The technology sector comprises a number of high-growth industries, and the acquisition of stakes in smaller companies fuels that growth, helping to develop new and better products and expand the marketplace in which the large companies do business.

Intel and Microsoft are among the largest private-equity investors in technology today," said Jim Davidson, managing director of technology investment banking at Hambrecht & Quist in San Francisco. "They have huge franchises that are central to what's happening in the personal-computer industry, broadly defined."

"They have the same pressure as anyone else to grow their businesses," he added. "What they've been very aggressive about is finding complementary technology to invest in to enhance existing franchises."

Intel, the leading producer of sophisticated varieties of semiconductor chips, shops around for companies that make software which requires a big wad of processing power — meaning more Intel chips — such as graphics and communications programs. Mr. Davidson said. Microsoft, likewise, invests in firms that produce software applications which can be tacked onto the Windows operating system, Microsoft's core product, and thus make it more marketable.

Investment tends to be in the United States, the hub of the world's high-tech industries. Increasingly, though, Intel is investing in Europe, where share valuations have not been as excessive, at least until the last few months, and there is less venture-capital money chasing the next hot technology firm.

Investor response typically is favorable when one of the industry leaders buys into a small company. The rationale, Mr. Davidson said, is that "these are smart companies, their tech-



Microsoft's stakes:

Apple Computer Inc.

CNET Inc.

Santa Cruz Operation Inc.

Ms. Buyer said. "Some are comforted, others on edge."

Microsoft is thought to have entered into one peculiar alliance with the intention of propping up a rival. Shares in Apple Computer Inc. shot up last August on the announcement that Microsoft would invest \$150 million in the flagging maker of personal computers whose Macintosh operating system competes with Windows. Some analysts saw the deal as an attempt by Microsoft to keep U.S. government trustbusters at bay. The philosophy seemed to be: If you can beat 'em, join 'em.

Apple cannot seem to beat anybody these days. A recent issue of DEMO-Letter, a newsletter about the software industry, suggested that Apple devote resources to companies that might produce application software for Macintosh systems. This is imperative, the letter argued, because if Apple does not do this, no one else will.

"No venture capitalist that I can find is funding Mac-focused software ventures, leaving Apple to act as the venture capitalist, carefully selecting companies that will leverage the Mac and Apple into well-targeted markets," it said.

While Intel's motives generally are regarded as similar to Apple's — but driven less by desperation — and more benign than Microsoft's, Mr. Davidson said that the world's leading chipmaker is not always innocent. He cited Intel's 1992 purchase of a 20 percent stake in VLSI Technology Inc., which makes chip sets, a small collection of chips that control microprocessor memories and other key personal-computer systems.

Chip sets are "necessary but not highly valued," Mr. Davidson said. "Intel invested to help VLSI expand its chip-set business, then Intel got into the business." VLSI's stock did well soon after Intel's investment, then fell after its larger partner usurped its niche.

A more felicitous result occurred after Intel bought Chips & Technologies Inc., a maker of graphics chips, in February. "That worked out great for shareholders," Mr. Davidson said. Intel's offer of \$17.50 a share was a 25 percent premium over Chips & Tech-



Intel's investments:

VLSI Technology Inc.

Chips & Technologies Inc.

Wholly owned

nologies' market price at the time.

"As a general rule, what people in the investment business think is that Microsoft and Intel are the most wonderful partners you can have and the most dangerous partners you can have," Mr. Davidson said. "At some point do they acquire the core competencies to compete? Technology is a unique animal."

So are the entrepreneurs who start tech companies. For them, the reasons to sell out can be more compelling than the reasons for buying on the coattails of a larger company that takes a strategic stake.

"A lot of small companies have one or two contracts and can't get any more because people are afraid they won't have enough capacity," said Carl Wilk, who manages the Munder Micro-Cap mutual fund.

Having a large partner eliminates much of the concern. A deep-pocketed investor can also provide resources for corporate expansion that would otherwise be hard to come by.

A third reason, reflecting the mercurial nature of high technology, is that "when you get a small guy starting a shop, he's trying to create technology so he can sell out and make a quick buck," Mr. Wilk said.

"Unless it's really something new, the big boys are going to do it," he added. Cisco Systems Inc., for instance, "buys the technology, then cashes out management," he said. "They take their money and go on vacation or else start over."

If investing in a company with a large partner is a risky proposition, finding the next company to attract the interest of an industry leader is no more of a certainty.

"The only way I've been successful on acquisitions is to make sure I had a player with dominant technology in a new area," Mr. Wilk said. Referring to prospective buyers such as Microsoft, Cisco and 3Com Corp., he added, "It costs them a lot less to buy than to create their programmers sit there and try to create it."

One area where such technology is to be found, he said, is cable television, which "at least in the U.S. and somewhat internationally is starting to explode."

"There's been a new wave of capital-spending as not only cable companies but other kinds want to build out in the cable bandwidth," Mr. Wilk said.

Another industry in which small companies could be targeted, he said, is wireless communications, especially in Europe, where deregulation is accelerating. He said that the easiest way for companies to expand in telecommunications was to establish wireless networks.

"Lucent and Ericsson may start buying wireless companies to grow business faster," he added, referring to Lucent Technologies Inc. and LM Ericsson AB.

Ms. Buyer said American Internet stocks could attract large partners, as well.

"It's unclear yet whether the big media companies are going to buy or build," she said. "But if they take a stake, it begs the question: Why are they not buying the whole thing?"

Coke Investors Seeking More Fizz Find a Message in the Bottle

By Ann Brocklehurst



INVESTMENT analysts love soft-drink stocks because they believe the world has an almost unquenchable thirst for fizzy soda. Just about the only thing they find difficult to swallow about Coca-Cola Co., the undisputed global soft-drink leader, is its current price-to-earnings ratio of 48.

The high multiple has caused the analysts to switch from the Real Thing to the Next Best Thing: bottlers.

Listed on stock markets around the world and often traded in American depositary receipts on the New York stock exchange, Coke's bottlers provide regional plays on soft drinks.

By far the biggest and best known is Coca-Cola Enterprises Inc., in which Coca-Cola holds a 44 percent stake. Its shares more than doubled in value in 1997, to \$33.5625 on Dec. 31 from \$15.875 on Jan. 2, as it rapidly expanded the territory it covers in the United States and abroad.

Last month, Coca-Cola Enterprises announced plans to buy Coke Southwest, the fifth-largest U.S. Coke bottler, for \$1.1 billion. CCE shares traded late Friday at \$36.60.

Coca-Cola Enterprises' spectacular success has helped to pique interest in other so-called anchor bottling businesses, including Coca-Cola Beverages PLC, a newly created company that is scheduled to be listed on the London

Stock Exchange in June. Coca-Cola Beverages will take over control of the East European and Central European bottling operations from Coca-Cola Amatil Ltd., which is based in Sydney and will now operate exclusively in the Asia-Pacific region.

Investors who want to play Europe's emerging markets will no longer be exposed to the Asian markets. The Asian collapse last year was largely responsible for the drop in Amatil's share price to 12.20 Australian dollars late Friday (\$7.70), down from 17.20 dollars at the end of last June.

The creation of Coca-Cola Beverages, in which the Atlanta-based parent will hold about a 50 percent stake, is the latest move in Coke's decade-long consolidation of its bottlers.

By selling their concentrates and beverage bases to bottlers who produce and distribute the drinks, Coke — and, to a lesser extent, PepsiCo Inc. — minimized their capital investment in land, buildings, machinery, equipment, trucks, bottles and cases. Typically, the parents retain a large minority stake in the bottlers and provide them with less costly services such as management and marketing advice and assistance in quality control.

The products that the Coke affiliates sell differ slightly from market to market. In some regions the companies even have agreements to distribute products that arguably are competitors of Coca-Cola, such as Perrier and Evian mineral

waters and Nestle iced tea.

Caroline Levy, an analyst with Schroder & Co. in New York and a Coke booster, says the policy of creating anchor bottlers has been a win-win situation for owners of the affiliates' stocks.

"If the companies aren't top-notch, they get taken over," she said, citing Coca-Cola Beverages Ltd. of Canada, which Coca-Cola Enterprises acquired in September 1997. "So the shareholders win," she said. "And if the bottlers are good, they grow."

But in a recent CIBC Oppenheimer report initiating coverage of the anchor bottling businesses of Coca-Cola and PepsiCo, an analyst, Ray Barry, wrote that, with the exception of Coca-Cola Enterprises, most of the bottlers have reported lackluster results to date.

"Economies of scale have not been adequate; capital costs associated with the purchase of new territories, infrastructure building and product image creation have limited performance," he wrote.

"However, many of those factors formerly limiting individual company results, and therefore, stock prices, may either disappear or reverse in the near term," he added.

He now concludes that with the necessary capital invested, lessons learned from past mistakes and regional bottlers finally poised to take advantage of economies of scale, "the international car-

Continued on Page 17

Reaping the Profits of Expert Error in the Realm of the Contrarian King

IN FEBRUARY 1970, more than 2,000 top money managers gathered for the Institutional Investors Conference in New York. They were asked what stock they thought would be the best performer for the year ahead. The consensus choice was National Student Marketing Corp., a high-flier that was then trading at \$140 a share. By July, it had collapsed to \$7; not much later, it was out of business.

I first read this anecdote 19 years ago in a book by David Dreman, "Contrarian Investment Strategy." I was hooked. I became a ferocious convert to contrarianism, a style of investing that finds what the experts are doing and then does the opposite.

Mr. Dreman is the king of the contrarians, and over the past 20 years much research has supported his original contentions. For example, it is now undeniable that stocks with low price-to-earnings ratios — in other words, do stocks that investors are shunning — do better than stocks with high P/E's. Ditto, stocks with low price-to-sales ratios, or with high dividend yields — all signs of value.

Mr. Dreman put his principles to

work managing the money of wealthy investors and pension funds. Then, 10 years ago, he started a fund that he recently sold to Kemper. It is now called Kemper-Dreman High-Return, and it has returned an annual average of 32.8 percent over the past three years and 22.8 percent over the past five — compared with 31.7 percent and 23.6 percent, respectively, for the Standard & Poor's 500-stock index. That is impressive, considering that the fund is 24 percent less risky (by one measure) than the S&P.

In the contrarian style, Mr. Dreman's portfolio is heavily weighted toward tobacco stocks (Philip Morris Cos. is his top holding and UST Inc., a maker of snuff, is second) and energy stocks (Atlantic Richfield Co. is third). His fund is also highly concentrated — just 50 stocks, with more than a quarter of the assets in the first six — and has low turnover (just 12 percent annually, meaning that he holds the typical stock for eight years).

Mr. Dreman's new book, "Contrarian Investment Strategies: The Next Generation," which is about to be published, updates the tales and figures in

the earlier books; but also makes an important new contribution. Mr. Dreman has come up with a novel way to analyze risk, which is the great misunderstood variable in investing.

Risk, in financial terms, is best defined as volatility. There are at least two ways to quantify volatility — beta coefficients, which compare the stock's ups and downs to those of the market as a whole, or standard de-

viations, which tracks the stock's consistency against its own track record.

But Mr. Dreman argues that beta and standard deviation are crude tools. "A realistic definition of risk," he writes, "recognizes the potential loss of capital through inflation and taxes." Such a criterion would "tell us the probabilities that we will both maintain our purchasing power and do better than alternative investments for the period we chose." He argues that a better way to measure risk is not simply to look at gyrations, but also at the chances of losing purchasing power and the chances of losing ground to bonds and

money-market funds or Treasury bills by buying stocks.

With original research, Mr. Dreman has come up with some startling results, which he lays out in great detail in his book. For example, if you hold a diversified stock portfolio for 10 years, the probability is 76 percent that you will get a return that is at least half the return of the overall market — or at least 53 percent, after inflation. He

compares these results with the returns for a bond or T-bill portfolio. On average, bonds produce a total return of 9 percent (again, after inflation) and T-bills, 4 percent, over five years.

So the chances are better than three out of four that you will get a return over 10 years that is half the average market return. But half of the market return for stocks is still nearly six times greater than the full market return for bonds!

Mr. Dreman also analyzes stock, bond and T-bill investments after taxes. The results are even more stunning.

"Using this analysis of risk in the postwar period, stocks are the least risky

investments over time," he concludes. "If you are in your thirties, for example, and have a goal of retiring at 65, you should buy blue-chip stocks because you have a 100 percent chance of both preserving and enhancing your capital, as well as outperforming bonds and T-bills."

That's not all. The odds, he writes, "are still overwhelming at 15 years and reasonably good at four or five years." "From a risk perspective," he says, "bonds and T-bills give you increasingly short odds after only a few years. They are not the investments you want to build your future upon."

So build your future on stocks — especially on contrarian stocks. But which ones?

"Seattle Film Works," writes Rex Takasugi in his newsletter Technical Disciplines. "The stock was certainly overvalued at its high of \$28.50, but has fallen about 72 percent in the last two years." Return on equity is "excellent," and the company has \$15 million in cash and long-term securities, he writes.

Another contrarian play is Southwest Airlines Co., the low-cost carrier, which Dow Theory Forecasts rates "a top buy." Shares have fallen 20 percent

since mid-March, and Southwest's P/E ratio is 17 — fairly modest for a company whose profits are up about 50 percent over last year.

Timothy Vick, who edits Today's Value Investor, is fond of Humana Inc., the huge managed-care provider, "as a turnaround candidate in a rebounding health-care field." At a P/E of 24, the stock does not seem cheap, but its price/sales ratio is a mere 0.6 (below 1.0 is attractive), and earnings should be up 40 percent for the 12 months ended in July.

As for contrarian mutual funds, I have long been an admirer of GreenSpring. It is heavily weighted toward financial stocks, including Crest Financial Corp. and Long Beach Financial Corp., but also owns some interesting high-techs, including Barringer Technologies Inc., which makes sensitive security equipment that can identify explosives and which trades at a P/E of just 9. Another large holding is Griffon Corp., which makes specialty plastic films for products ranging from disposable diapers to radar systems.

So get the book, and get the stocks. Washington Post Service

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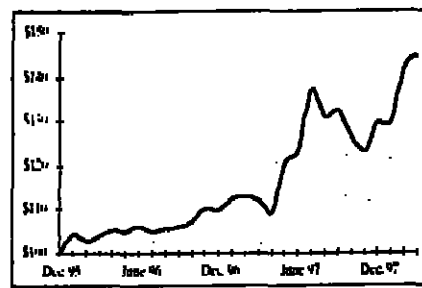
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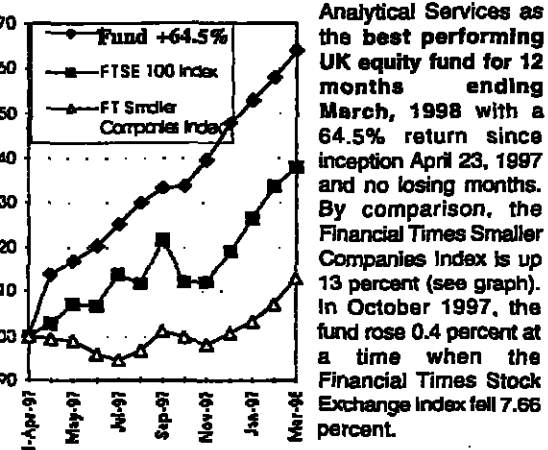
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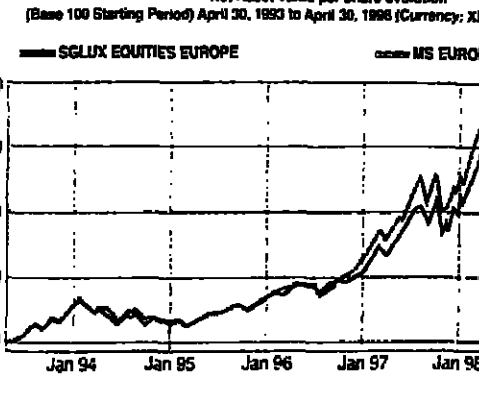
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'Bad Companies'

By Ann Brocklehurst

THE SEMI-TECH GROUP used to make a living by buying stakes in what its founder and chief executive, James Ting, called "bad companies." The idea was to turn them around and improve the share price of both the revitalized businesses and the Semi-Tech holding group. Although this strategy involved taking on considerable debt, it was successful - until the Mexican and Asian currency crises wreaked havoc in the company's key markets. It is now the two "bad" companies that are the focus of the Semi-Tech group's efforts. One is a multinational manufacturer of consumer electronics, and the other is a distributor of consumer electronics products based in Hong Kong. Semi-Tech Corp. has given up on them. Semi-Tech stock prices have collapsed and the holding company is considered junk. The only hope now lies with the Semi-Tech group's new strategy of buying a handful of "bad" companies and restructuring them. The company will be able to restructure

The Next Best Thing

Continued from Page 15

soft-drink bottling business operates in one of the most favorable environments of any major industry in the world. The world's increasingly affluent consumers are drinking more and more soft drinks. In Mexico, soda is especially popular because of the poor quality of the water supply. In Indonesia, where much of the population is Muslim and does not drink alcohol, soft drinks often replace beer as a national drink. In other countries, drinking a brand of soft drink is simply an affordable symbol.

MURPHY suggested that investors interested in regional bottling companies limit their buying to a portfolio that includes three bottles. Murphy said, "It's crucial to have a strong anchor company in the portfolio while, at the same time, avoiding the potential major risk of emerging-market investing. Murphy has even led a group of

Travel Sector Niche

Continued from Page 15

marketing agencies are attracting investment funds. Growth in the travel sector has reached last year.

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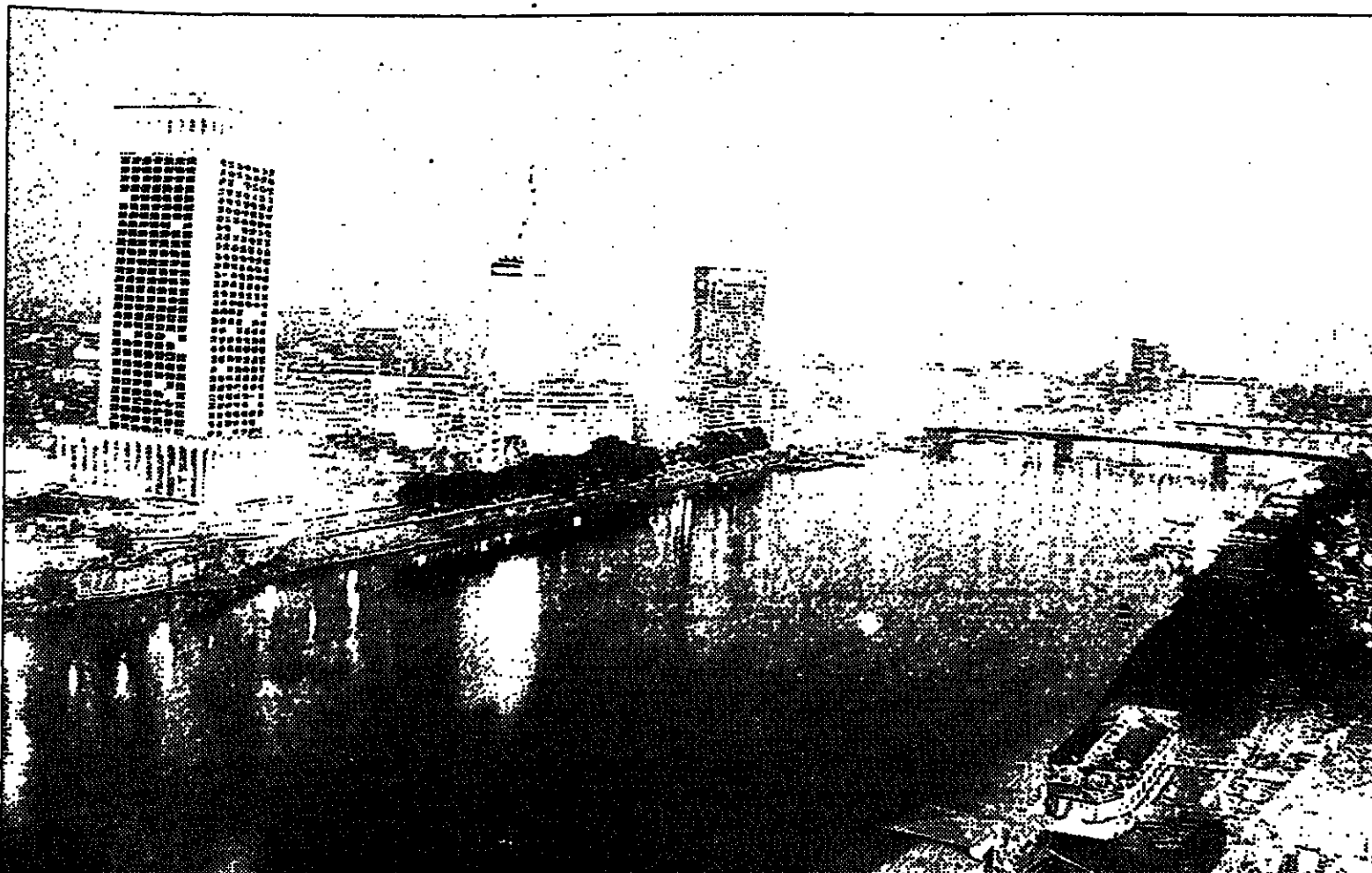
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 days prior to publication; c - indicate frequency

EGYPT: THE STABILITY DIVIDEND

Egypt's profile is taking on new light as economic indicators improve. The budget deficit has shrunk from 24 percent of gross domestic product to 1.5 percent, a dramatic turnaround in keeping with the new climate of reforms, privatization and liberalization of the economy.



EGYPT IN FIGURES

OFFICIAL NAME: Arab Republic of Egypt
POPULATION: 62 million
CAPITAL: Cairo
AREA: 1 million square kilometers (5.5 percent populated)
LANGUAGE: Arabic, with English widely spoken
RELIGION: Islam
CURRENCY: One Egyptian pound = \$3.39
1998 ESTIMATED GDP: \$82.6 billion
1998 ESTIMATED GDP PER CAPITA: \$1,332
1998 ESTIMATED GDP GROWTH: 5.2 percent
INFLATION (YEAR TO JANUARY 1998): 3.8 percent
TRADE DEFICIT (1997): \$9.29 billion
LABOR FORCE: 17 million
1998 ESTIMATED UNEMPLOYMENT: 10 percent
1997 EQUITY MARKET RETURN: 20.9 percent

Source: Ministry of Economy

SEEKING STABILITY IN THE MIDDLE EAST

Amre Moussa, Egypt's minister of foreign affairs, is one of the country's most prominent figures on the international scene. The 61-year-old graduate of Cairo University was his country's permanent representative to the United Nations before assuming his current post in 1991. He recently responded to questions pertaining to Egypt's present and future.

How do you assess Egypt's role in the world, the Mediterranean basin, Africa and the Middle East today?

Historically, and because of our strategic location, Egypt plays an active part in the Arab, African and Mediterranean settings. Today, we are pursuing an agenda to promote stability and progress by promoting cooperation, joint investments and enhanced economic interaction. We are active in a number of international organizations and forums, including the Organization of African Unity, where we discuss the political, economic and social problems facing the African continent. We also have a proactive dialogue with our European partners and are engaged in discussions with the European Union in an effort to create a mutually beneficial partnership.

Has Egypt's recent economic prosperity and the evolving peace dividend had any impact on the country's role in foreign affairs?

Foreign policy is directed to continuing the success of Egypt's economic program. To that end, I have undertaken numerous visits throughout Africa with officials and businessmen to probe new markets and find new partners for our emerging private sector.

How serious is religious extremism to Egypt and its neighbors?

Terrorism and extremism have become worldwide phenomena, from Tokyo to Paris to Oklahoma, and Egypt has had its share. Although no government can guarantee 100 percent safety, we have taken all the necessary steps to face the threats posed by terrorism and to protect our citizens and

LONG-TERM PEACE AND A PROSPEROUS ECONOMY

Egypt is reaping the dividends of two decades of peace and structural economic reforms implemented during the 1990s.

Traditionally a cultural and political cornerstone in the Mediterranean basin, Egypt now also boasts a healthy economy featuring steady growth, low inflation, reduced debt, a stable currency and increased foreign investment. This economic transformation, which a report by the U.S. Embassy in Cairo called a "remarkable turnaround," is in contrast to what was the country's inefficient state-dominated economy.

A new vocabulary

Privatization, liberalization and deregulation have become the watchwords from Alexandria to Aswan, and a variety of laws concerning investment guarantees and incentives are on the books. The government is also facing development challenges in social services, health care, education and the environment.

The domestic and foreign business sectors almost unanimously applaud the efforts of economics-trained Prime Minister Kamal El Ganzouri, who took office in January

1996. Indeed, Parliament renewed its vote of confidence in the government's economic reforms and privatization program last March, and there is a sense that the payoff will increase in the future.

"I have been in business and politics in Egypt since 1942 and have seen royal, socialist and military governments," says Ibrahim Salem Mohammadain, the 77-year-old former minister of industry, who is now chairman of the Alexandria National Iron & Steel Company. "This is the first time I have felt that there is a sensible, long-term economic plan."

There also seems to be progress at every juncture. New bridges span the Nile, and a major multibillion-dollar land reclamation program called Toshka is under way. A total of \$60 billion has been spent by the government on energy, transportation, housing, sewage, education and other infrastructure projects since 1982, and last month Egypt launched NileSat, its first satellite. A \$2 billion real estate development called Dreamland, near Cairo, undertaken by a private businessman, is perhaps symbolic of today's upbeat mood.

Peace and a solid economy are also being touted as persuasive elements for foreign investment. Although the terrorist attack by Islamic militants that killed 58 foreign tourists in Luxor last November had a negative effect on tourism and the economy, analysts say it did not dampen long-term foreign interest.

"Egypt is the cornerstone of our international oil program, and we are enthusiastically investing more aggressively than ever before," says Michael Coffield, the president of Seagull Egypt, a U.S. oil



President Hosni Mubarak is leading the drive to improve management and productivity.

Continued on page 21

Continued on page 20

Shell Egypt

A JOURNEY
OVER EIGHTY SEVEN
YEARS

NBE joins the Centennial Club

National Bank of Egypt
Established in 1898

National Bank of Egypt
100 Years of Proven Competence

EGYPT: THE STABILITY DIVIDEND

PRIVATIZATION PROGRAM WIDENS ITS SCOPE

A book on the desk of one government official is entitled "Egypt: Privatization and Beyond," and Atef Ebeid, the minister of the public enterprise sector, is informally known as "Mr. Privatization."

Although its initial pace was somewhat conservative, privatization is now in full swing and has expanded to almost every sector of the economy — from tourism, services and heavy industry to utilities, public transportation and telecommunications.

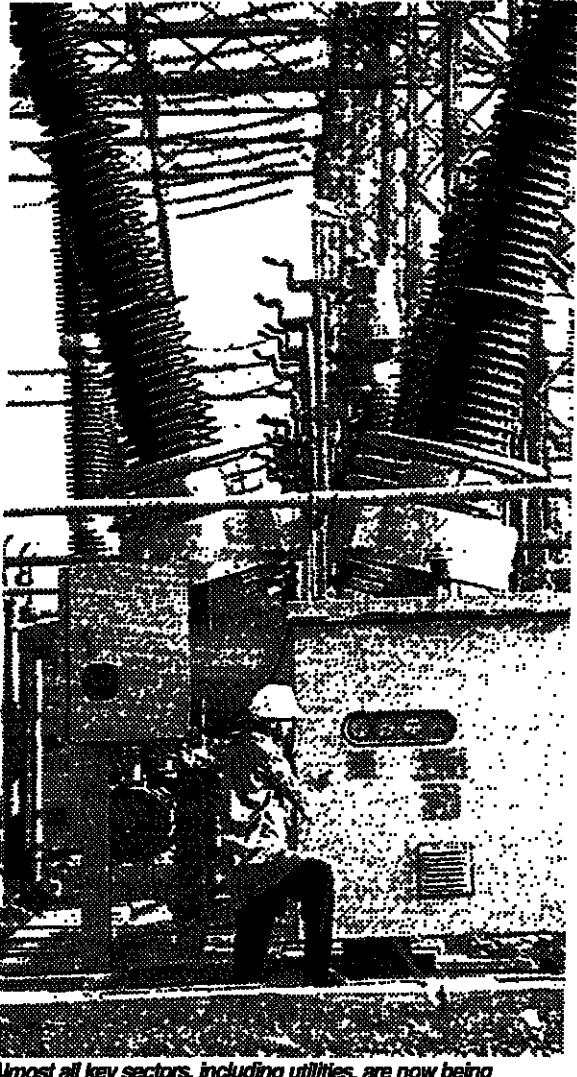
Even Egypt's governmental economic authorities will be converted into share-issuing companies, and the government confirmed this spring that it will sell 20 percent of Telecom Egypt and one of the four public-sector banks. The only sacrosanct business areas, says Mr. Ebeid, are military factories, the petroleum authority, the Suez Canal and the supply of water to the poor. Yet, "Mr. Privatization" is still frequently criticized for not moving more quickly.

Says Klaus Ebling, the managing director of Siemens Ltd. in Egypt: "The privatization of some hopelessly overstaffed and inefficient public concerns is still very slow." Indeed, some 85 heavily indebted companies in areas like textiles, metallurgy, engineering and construction are only now in the process of being restructured. Mr. Ebeid predicts that a dozen will be closed and the others offered, debt-free and without a labor surplus, to capable investors during the next few years.

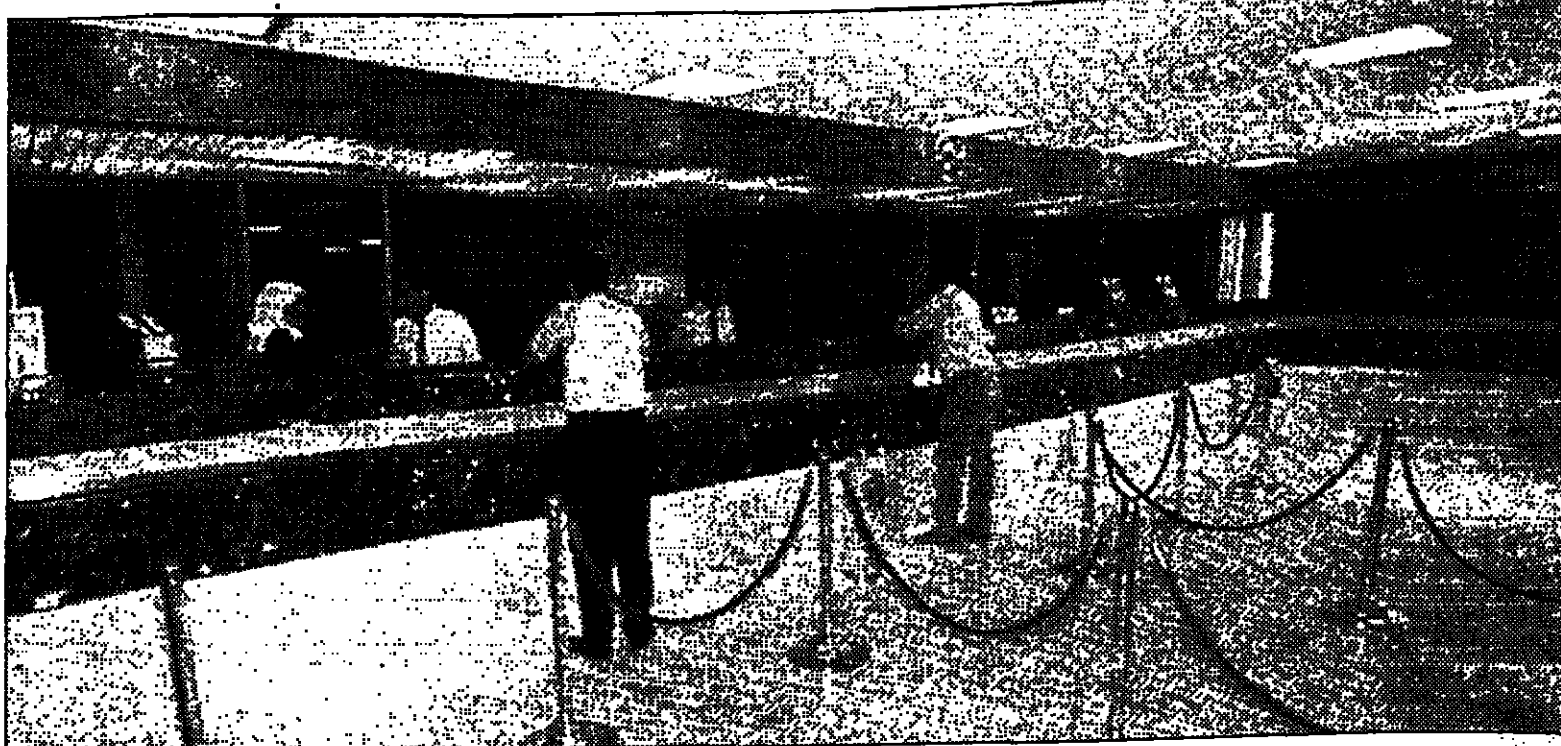
Meanwhile, some businesspeople who formerly criticized the pace of privatization are changing their tune. "Although I wanted faster changes, I think I might have been wrong in view of what has recently occurred in Asia," says MIBank's senior general manager, Mohamed Ozalp. "The government's policy of gradual privatization has proved quite wise, because it did not disrupt the social and industrial fabric."

To date, 82 of 314 companies targeted for sale have been privatized, and 35 more are scheduled to be sold by the end of the year. The government, which is averaging the sale of about 10 companies each quarter, expects to reap more than \$15 billion when the program is completed.

Mr. Ebeid is convinced that his successful efforts will put him out of a job. "There will not be a public economic sector in five years, and the government will simply take care of services in areas which do not attract private investors, like education and health," he concludes. "The ministry will close, which is why I am currently located in rented offices."



Almost all key sectors, including utilities, are now being affected by the privatization process.



New services and interest-rate cuts are among the transformations being introduced in Egypt's 80 banks.

BANKS TAKE STOCK AND HEAD FOR STOCK MARKET

Deregulation has considerably enlivened the financial sector, which is increasingly moving into private hands.

Says Sherif Raafat, the chairman of the Egyptian stock exchange, as he hands a visitor a handful of economic reports on the country: "The Egyptian financial and economic story should be shouted from the rooftops."

The economic analyses by reputed brokerage firms, which have titles like "Egypt: The Sleeping Beauty" and "Egypt: Emerging From the Past," are part of a flood of recent market research pertaining to the country.

Indeed, the stock market on El Sherifein Street in Cairo, with its impressive chandeliers in the entranceway, is poised for activity one morning as traders from 120 companies sit behind computer screens ready to buy and sell some of the 624 listed companies at the opening bell.

"The Cairo exchange has settled down following the rapid rise and fall of a few

years ago," says Rasha Lashin, a 25-year-old trader for EFG-Hermes. "We're now a mature market."

Flood of capital
The stock market, which had a return of over 20 percent last year, currently has a market capitalization of \$20 billion. Ms. Raafat predicts that the market capitalization will soon increase to between \$50 billion and \$70 billion because of privatization and a number of family-held companies coming to the market.

"We are moving from a closed economy with cartels and monopolies to the broadest, largest and widest capital market in North Africa," observes Ms. Raafat, noting that the country's Capital Market Authority has signed an agreement with the U.S. Securities and Exchange Commission for technical assistance and information exchange.

The stock market embodies the high level of excitement seen throughout the country's financial sector. Egypt's 80 banks have been altered by deregulation measures, which have produced everything from interest-rate cuts to a flurry of new financial services offerings.

"The banking sector is competitive and thriving," says Ahmed Shawki, managing partner of Mostafa Shawki & Co., the Egyptian member of the Deloitte Touche Tomatsu International accounting firm. "But the very conservative insurance market is still not sophisticated and must be liberalized before it joins the party."

Privatization has also entered the banking arena. The government plans to privatize one of the four major public-sector banks — which include the Bank of Alexandria, Banque Misr, Banque du Cairo and the Na-

tional Bank of Egypt — later this year.

"Decisions by the public banks are sometimes still influenced by state ownership," acknowledges Aly Dabbous, managing director of the Arab International Bank, in which the Libyan government has a 28 percent stake. "Their future is the big question mark in Egyptian banking liberalization."

Banks are also taking themselves to the stock market. The private Egyptian Gulf Bank, for example, will market 20 percent of its capital in a share offering early next year.

"The added capital will be used to open new branches, increase electronic networking, expand retail products, introduce a credit card business and expand into the investment banking sector," says Mohamed Barakat, the bank's managing director.

NBE centennial
The National Bank of Egypt celebrated its 100th anniversary earlier this month with a three-day conference that brought more than 1,000 leading members of the local and international financial community to Cairo. The event included a night at the Cairo opera and a folklore party at the monumental Citadel.

The guests, including 120 foreigners representing institutions like the World Bank, also received commemorative coins, a book tracing the bank's history and a government-issued stamp that featured both the bank's modern tower building near the World Trade Center and its first headquarters. Those

were at the corner of Kasr El Nil and Sherif Streets, now the offices of the Egypt's Central Bank.

The National Bank of Egypt was created on June 25, 1898 to attract British capital and provide funds for development projects. It was also entrusted with issuing currency notes and acting as banker to the government.

While the state-owned institution, which has total assets of almost \$16 billion, is becoming venerable, it is still the country's largest bank and regarded by many as nimble and innovative. It was the first Egyptian bank to sell mutual funds in the country, the first to establish a leasing company with foreign expertise, the first to issue GDRs in the international marketplace and the first on the Internet.

With 10,000 employees and 343 domestic branches, the bank is involved in a blend of commercial, retail and investment banking. It also has interests in private equity closed-end funds, like the Egypt Trust Fund and the Nile Growth Fund, and is involved in equity participation in almost 200 different development projects throughout Egypt.

"We try to take the lead in most Egyptian projects in tourism, banking, housing, food security and industry," says Hussein Abdel Aziz Hussien, the bank's executive general manager.

Standard & Poor's predicts the institution will "exploit its leading position in Egypt and capture at least its natural 20 percent share of the growing Egyptian banking market."

SEEKING STABILITY

Continued from page 19

visitors within our borders. As an international problem, however, the elimination of terrorism requires close cooperation between all nations, particularly those that harbor leading persons in extremist and terrorist organizations. We are currently coordinating the steps needed to eradicate it.

What are your key concerns for the future?

Peace and stability in the Middle East. The continuation of negative Israeli government policies is killing the peace process, and this can lead to dire consequences for the whole region. Economic prosperity for Egypt is another key concern, and we also want to enhance closer cooperation between developing countries through south-south cooperation. We are hosting the Group of 15 summit meeting in Cairo May 11-13 in order to promote development and cooperation among Third World countries. It is vital to keep in mind that our economic partnership with the United States is burgeoning and reflects our mature and positive cooperation with Washington. But another important goal is to reach an agreeable formula for our future economic, political and security cooperation with European countries. Lastly, the Islamic world is facing several problems, and we hope to correct the misperception about the teachings



Minister of Foreign Affairs Amr Moussa.

of Islam in the United States and Europe.

Why does Egypt want to continue to have a role in the Middle East peace process?

First, because we live in the Middle East. And second, because we are the largest and oldest country historically involved in Middle East affairs. We have been a pioneer of peace for two decades, and achieving a comprehensive, just and lasting peace is one of our principal strategic objectives. Peace will not only contribute to regional stability and security but also end, once and for all, the Arab-Israeli conflict. This is important for development and economic prosperity not only in Egypt, but also for this entire geographical sphere. It will allow the region to play its full-fledged role in the world economy as we usher in the 21st century.

3000 B.C., Ancient Egypt

The key of life



1998 A.D., Modern Day Egypt

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"A research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients and health care providers throughout the world."



ARAB INTERNATIONAL BANK

Your Partner for Banking Activities
in Egypt and the Arab World
With Correspondents
in all Continents

FINANCIAL SUMMARY:

Total Assets / Liabilities	US\$ 2189 million	as at
Capital	US\$ 220 million	30/6/97
Reserves	US\$ 105 million	
Deposits	US\$ 1825 million	

SHAREHOLDERS:

The Government of Egypt - The Government of Libya - Abu Dhabi Investment Authority - The State of Qatar - The Sultanate of Oman - Private Arab Participants.

HEAD OFFICE: 35 Abdel Khalek Sarwat St., Cairo, Egypt
TEL: 3918794 - 3916492
TELEX: 92079 AIB UN
FAX: 3916233
SWIFT: ARIBEGCX 001

BRANCHES:

Offshore Branches

Bahrain Tel: 531611 Fax: 531009

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Alexandria Tel: 4836775 Fax: 4833230

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Heliopolis Tel: 2902069 Fax: 4173524

Mohandessin Tel: 3029647 Fax: 3029651

REPRESENTATIVE OFFICE:

Tripoli, Libya
Tel: 3350366 Fax: 3350365



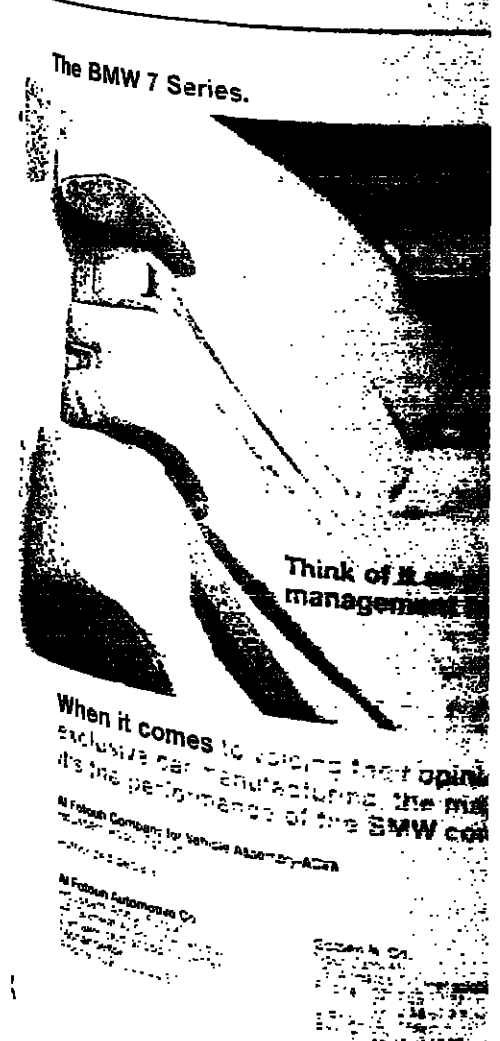
IRON AND STEEL

The Egyptian Iron and Steel Company has expanded its annual production capacity by 1.5 million tons, increased demand and raised the quality of its products. The company, which is a subsidiary of the Egyptian government, has been successful in attracting foreign investment and has been able to expand its market share in the region. The company's expansion program has been a key factor in the growth of the Egyptian iron and steel industry.

LONG-TERM PEACE AND PROSPERITY

Headed by President Hosni Mubarak, the Egyptian government has been successful in maintaining peace and stability in the country. The government has implemented a series of reforms and has been able to attract foreign investment, which has led to economic growth and prosperity. The government's policies have been a key factor in the success of the Egyptian economy.

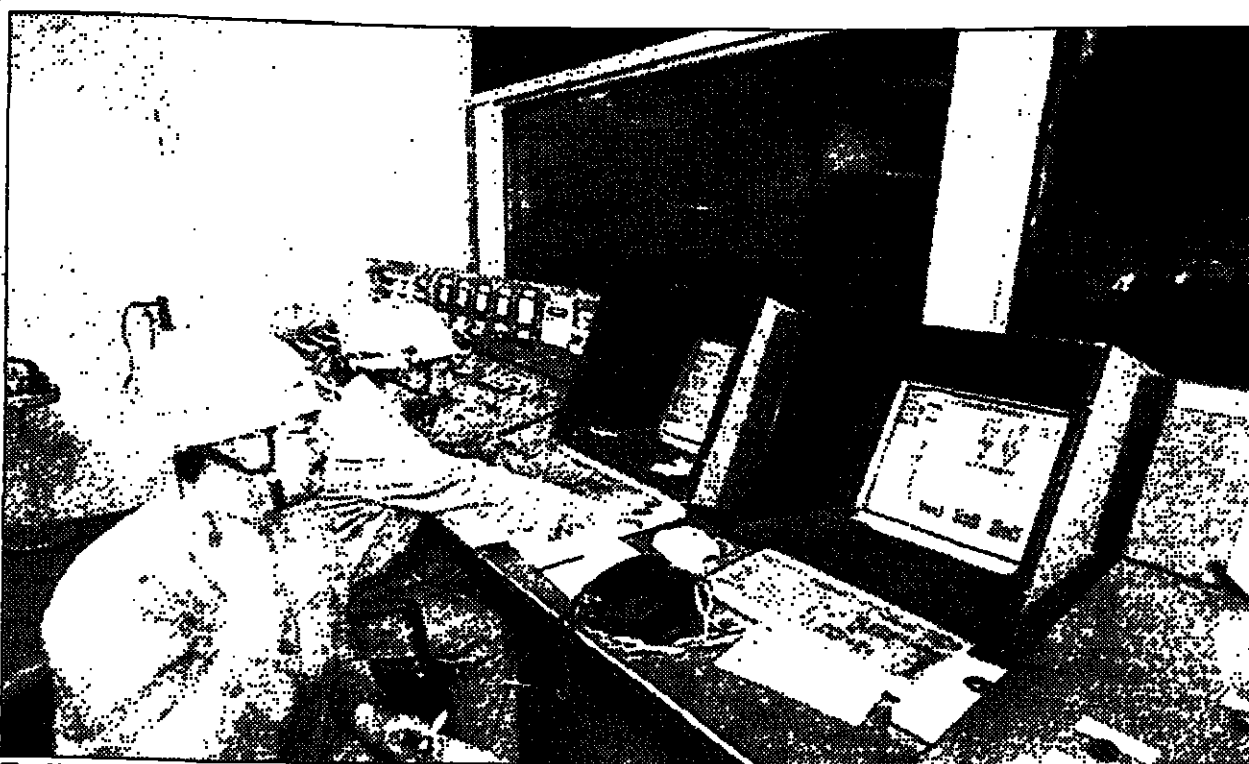
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SPONSORED SECTION

SPONSORED SECTION

EGYPT: THE STABILITY DIVIDEND



The Alexandria National Iron & Steel Company has modernized its plant to meet increased demand and improve green standards.

IRON AND STEEL: INCREASED PRODUCTION

Exports and local demand for infrastructure projects are helping to boost sales.

Egypt's economic growth has fueled increased activity in a number of manufacturing sectors, including iron and steel production. The Alexandria National Iron & Steel Company, 15 kilometers (9 miles) from Alexandria at the El Dikheila port, recently expanded its annual reinforced steel bar capacity by 40 percent, to 1.5 million tons.

"We redesigned and modernized the entire plant to better utilize the facilities, meet increased demand and stay ahead of the competition," says the company's chairman and managing director, Ibrahim Salem Mohammadain, noting that 1998 sales should increase by 20 percent, to \$440 million. "Our next major step will be to launch a flat steel products plant in 2000 at a cost of \$625 million."

The Alexandria facility now includes a direct reduction unit to create sponge iron, an integrated continuous casting steel plant to produce 16-meter-long steel billets and two rolling mill plants to manufacture reinforced steel bars and rods. Raw materials are imported through El Dikheila, natural gas is piped in from Abu Qir and water is conveyed from the Nile.

"This is the most modern integrated iron and steel plant of its kind in the Middle East," says Mr. Mohammadain, as he discusses the new furnaces and state-of-the-art rod and bar production lines that now meet a variety of universal standards.

Exports to countries as diverse as Spain and Saudi Arabia account for 21 percent of production, while domestically, output is used in most of the nation's infrastructure projects, including the library in Alexandria and the expanding subway system in Cairo. Inaugurated in 1986 with a nominal production capacity of 745,000 tons, the Alexandria National Iron & Steel Company now represents a total investment of \$1.2 billion.

"We have obtained ISO 9002 certification and are now completing the procedures to obtain ISO certification for environmental standards," says Mr. Mohammadain, noting that \$17 million has been spent on fume extraction and monitoring systems. "Our plant is cleaner than similar installations in Germany, Japan or the United States, according to the foreign engineers who pay us a visit."

THE FINANCE MINISTER'S PERSPECTIVE

Youssef Boutros Ghali, the 45-year-old former economics professor who became the minister of economy last July, is as optimistic about the economic future as the business, diplomatic and investment community. Mr. Boutros Ghali, who has also worked with the International Monetary Fund since getting his Ph.D. at the Massachusetts Institute of Technology, discussed the economic outlook during an interview at the Ministry of Economy in downtown Cairo.

What is Egypt's most successful economic accomplishment?

We have a sustainable and stable economy today because our fiscal discipline led to monetary discipline. This massive achievement involved a long, painful, sweaty process over the last seven years. But it was worth it because it is repeatable. We've broken out of the vicious cycle of deficits and inflation.

And the downside?

It is unfortunate that institutions addressing in-

come disparities could have not have been created a little sooner.

As in all developing countries, there is a serious gap between haves and have-nots. But I am somewhat relieved that the gap didn't widen and that we avoided major social disturbances during our period of economic reform.

Isn't the rate of unemployment, which could be higher than your official figure, a serious problem?

I won't feel good about unemployment until we achieve our "natural" rate of 4 percent to 5 percent, which I think will occur within five years.

What about Egypt's legendary bureaucracy?

It would take a revolution to resolve the problems of our bureaucracy in a quantum leap. But we have tried to streamline red tape in areas important to foreign investors. The public sector is being privatized, and the civil service will gradually be slimmed down through attrition and hiring freezes.

How serious an effect

did the Luxor attack have on the economy?

It was a terrible human tragedy. Though growth will fall slightly as a result, the economy is strong enough to weather

encourage foreign investment. We want businesses that bring us advanced technology and employ a large number of workers. What will drive future growth?



There are virtually no restrictions on investment in Egypt, and we are developing a coherent, detailed and systematic plan for new investors.

the decline in revenue. I think Luxor also made the Egyptian people aware of the dangers of having an alienated or marginal class of society. People realize that economic growth must be advantageous for everyone.

Industry and high-value agriculture will be the main engines for growth, and our aim is to increase exports by 10 percent annually. To achieve this, we would like to iron out our trade agreement with the European Union.

ENCOURAGING FOREIGN INVESTMENT

Foreign money and international companies are to be found nearly everywhere in Egypt.

The billboards on the toll road between Cairo, a city of 15 million people, and Alexandria, a city of 4 million, tout everything from Motorola and Domino's Pizza to Furukawa rock drills and the Arabian Solar Energy and Technology Company. And it is rare to read a copy of the daily Egyptian Gazette and not find news of yet another foreign investment deal or contract, like the award to Bechtel for a \$300 million power station or the opening of a Cairo office by companies like Amadeus or Oracle.

"Foreigners have been net buyers on the stock market since January 1997 and represent about a third of trading and 10 percent of ownership," says Sherif Raafat, the chairman of the Egyptian stock exchange. "My goal now is to increase the number of foreigners among our trading companies."

in any sector can still reap huge economic rewards," says Ibrahim Ahmed Kamel, the chairman of Kato Aromatics.

Foreign investment, led by Saudi Arabia and Kuwait, is climbing at a dizzying pace. Shell Egypt, for example, is dramatically increasing investments to exploit oil and gas potential, while Glaxo Wellcome Egypt has invested \$80 million since 1991 to create a state-of-the-art manufacturing facility.

Foreign direct investment, joint ventures and increased investment in capital markets are important elements of Egypt's current economic reform program.

Sector spread
While multinational petroleum companies have been operating in Egyptian partnerships for decades, foreign direct investment, joint ventures and increased investment in capital markets are important elements of Egypt's current economic reform program. Egypt's assets include the country's geographical location, its market of 62 million people, high profit margins, inexpensive and qualified labor (the Pyramids and Suez Canal are frequently given as examples of tenacity), attractive investment incentives and a high level of services. "With good management, an investment

A number of foreign companies are expanding because of growth in the domestic market, while others are evaluating substantial investments in petroleum developments, financial services, telecommunications, banking and insurance, and food processing. The 2,400 U.S. companies doing business with Egypt include well-known names like Amoco, Mobil, General Motors and IBM.

Egyptian companies are also constantly looking for foreign partners. The IGI group, which has ventures with foreign companies like Informix and Marriott, is exploring a variety of partner-

ships and joint ventures with companies bringing know-how and capital to Egypt.

Experienced businesspeople encourage foreign investors, particularly smaller ones, to do their homework. "My main advice for a foreign investor is to be very careful in selecting his local partner," says Klaus Ebling, the managing director of Siemens Limited in Egypt.

Success story
The German multinational, which is 150 years old this year, first entered the Egyptian market when it opened a Cairo branch almost a hundred years ago. "There have been ups and downs during our first 100 years here," says Mr. Ebling. "We were liquidated by the British during World War I, closed down in World War II and nationalized in the 1950s. But today we are enthusiastic about Egypt, and we recently announced an investment of \$35 million, our largest to date, to increase equity in our telecommunications joint

venture company."

Telecommunications, energy and transportation projects represent 80 percent of Siemens's activity in Egypt, but the company is also involved in industrial automation, information system and medical engineering sectors. Siemens has constructed one-third of Egypt's installed thermal power-generating capacity and acts as a local partner in joint ventures to produce licensed quality components for power systems. It has also laid 1,500 kilometers of fiber-optic cable in the Sinai, is installing 2 million telephone lines over the next five years, produced many of the country's solar-powered billboards and supplied the servers handling school administration at the Suez Canal University.

"We brought power and telephones to the Sinai, and anticipate future projects in both areas," says Mr. Ebling, noting that the company recently completed three power substations ahead of schedule.

LONG-TERM PEACE AND PROSPERITY

Continued from page 19

company. Yet the country, headed by President Hosni Mubarak, who is serving his third six-year term, still has a bloated bureaucracy and almost 5.5 million civil servants. Pervasive red tape is by far the most frequent complaint in the nation that invented papyrus paper and then proceeded to flood itself in it.

"There is still a massive bureaucracy," admits Roger Patey, chairman of Shell Egypt, "but there is a drive from the top to improve management and increase productivity."

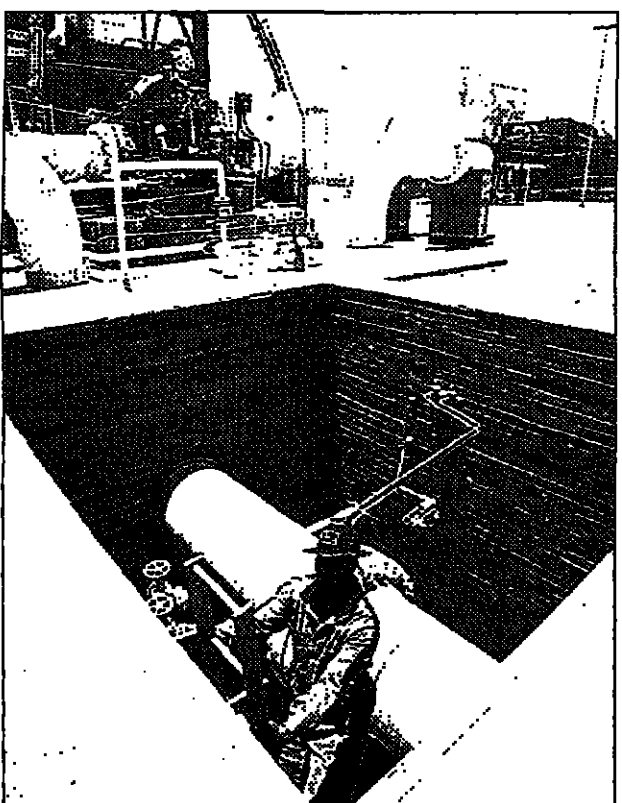
In addition, the military and the police force still account for 17 percent of the state's annual spending. There are comparatively high import tariffs, a thriving underground economy, housing shortages, substantial illiteracy and decaying urban areas.

Social dividends as well
But the economic dividends are expected to serve as a long-term panacea to the lopsided distribution of wealth and to remedy many visible social disparities.

"Our tremendous economic energy is enabling us to fight poverty and illiteracy through increased employment opportunities," says Maged Abaza, general manager of business development for the International Group for Investments, one of the largest private-sector business groups in Egypt.

While some Arab neighbors still criticize Egypt's rapprochement with Israel, and the militant religious element is an obvious concern, few analysts take the position that internal or external threats will destabilize the government or the economy. Rather, Egypt is expected to increasingly employ its economic prowess and strategic geographical location to regain its former pre-eminent status in the Middle East.

"Egypt wants to resume its historic role as an Arab leader and the main link between the Occident and the Orient," says Robert Mantran, a noted Islamic specialist in France. "Long-



Oil companies are among the foreign investors increasing their stake in Egypt.

term peace and economic prosperity could give it that opportunity." Indeed, Egypt is now negotiating a partnership with the European Union; is host to the Cairo-based Middle East North Africa Development Bank, which finances cross-border projects; and is even reviving the long-debated idea of an Arab Common Market.

"The Egyptian people are determined to turn a new chapter in their history," President Mubarak has said. "Our enhanced economy is the key to regional stability and security."

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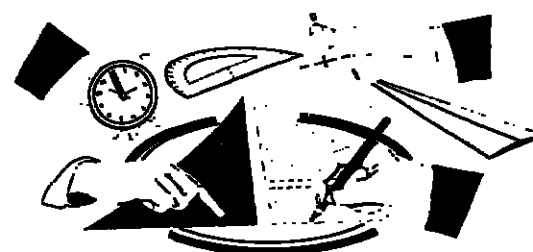
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LOOK

EGYPT: THE STABILITY DIVIDEND

NEW MANUFACTURERS JOIN AUTO SECTOR

Joint ventures are the main engine of growth in Egypt's automobile industry.

The strength of the automobile sector in Egypt, which is growing at a rate of about 5 percent annually, can be seen both in the large number of locally made Fiats on the road and a number of manufacturing plants established at industrial sites like 6 October City, where General Motors opened a production facility in 1985.

There are currently 2.3 million cars on Egyptian roads. A dozen joint-venture operations are assembling and manufacturing models by foreign manufacturers, ranging from Chrysler and Citroën to Nissan and Peugeot. Two German

car makers, BMW and Mercedes-Benz, became the latest entrants in the field when they inaugurated production lines last year.

BMW formed a collaborative partnership and licensing agreement with the Al Fotouh Company for Vehicle Assembly. ACVA invested \$40 million in an assembly plant using knocked-down kits and more than 43 percent local content to manufacture 2,000 cars a year. The BMWs, which began coming off the line last June, are being assembled in the Nissan plant in 6 October City under a unique arrangement whereby the two companies share the paint shop to reduce costs.

"BMW provides the know-how, attends to all the planning and monitors the production process," says Operations Manager Samir El-Sherif as he tours the assembly line and points out local modifications, which include a tropical radiator. "Everything is evaluated according to European quality standards."

Winning both ways

Besides high quality, Egyptian consumers are guaranteed lower prices. "It costs consumers 40 percent less to purchase a car assembled locally rather than importing it and paying high tariffs," explains ACVA's national sales and marketing manager, Elwi Capitan, noting that Land Rovers will be produced at the facility in mid-1999 following a further \$40 million investment.

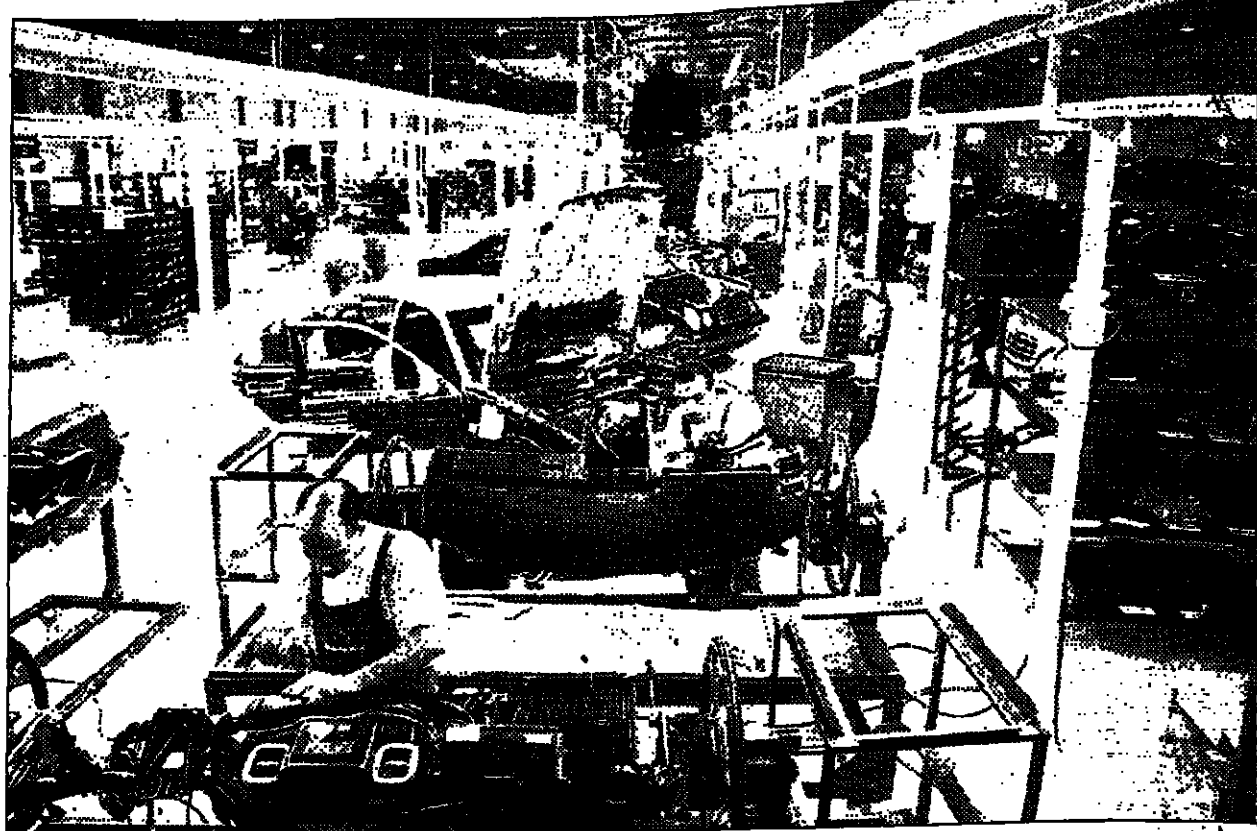
Just down the road from BMW's operation is a \$44.3 million facility that began assembling Mercedes-Benz E-class vehicles last November. Daimler-Benz took a 26 percent stake in a joint venture called the Egyptian German Automotive Co. with its longtime importer. It was the German company's first joint venture with direct financial participation in a passenger-car production unit in the Arab world.

EGA manufactured its 1,000th car in March and expects annual production to exceed 2,500 vehicles during its first full year. Mercedes-Benz provided technology, factory layout, staff training and development of local suppliers. The plant is completely integrated with the German parent company's specifications.

"We have complete quality control over every aspect of the manufacturing process, and the plant has the best quality and highest labor productivity of any similar Mercedes-Benz manufacturing facility outside Germany," says Gamal Okail, general manager of EGA, who is conducting a marketing study to determine what other Mercedes models to manufacture in Egypt. "We have enthusiastically opened the doors to our customers and use the plant as a key advertising and marketing tool."



BMW, in an arrangement with a local partner, is now turning out 2,000 cars a year.



The Mercedes-Benz assembly plant is the German company's first joint venture of its kind with a passenger-car production unit in the Arab world.



Glaxo Wellcome has spent \$80 million to create a comprehensive manufacturing facility outside Cairo.



INDUSTRY THRIVES IN THE PRIVATE SECTOR

Expected to grow at about 8 percent this year, the industrial sector is creating new niches.

Egyptian industry, until privatization got under way during the 1990s, was predominantly state-owned. It made use of protectionist measures — including quotas, price controls and tariff barriers — to survive. A decade ago, government-controlled companies accounted for 60 percent of industrial output, 90 percent of industrial exports and 75 percent of industrial employment.

Privatization and liberalization have led to the development of a competitive industrial sector that contributes about 17 percent to Egypt's gross domestic product and accounts for 13 percent of employment.

The new face of Egyptian

industry is evident during visits to more than a dozen expanding industrial zones, like the sprawling 6 October City (the development, about 45 kilometers, or 28 miles, west of Cairo, got its name in commemoration of the 1973 date on which Egyptian armed forces crossed the Suez Canal into the Sinai), where over 350 companies now have facilities. In addition, there are new industrial developments, including a high technology park and science park.

Egypt, of course, is still considered an emerging industrial country, but progress in services, technology, development, growth and competition during the last five years has inspired many businesspeople. "The economic and industrial situation in Egypt today enables me to do what I do best — build industry in a nation where I understand the specific cultural and behavioral nuances," says Negad Shaarawi, chairman and managing director of Glaxo Wellcome Egypt.

Adds Ibrahim Ahmed Kamel, chairman of Kato Aromatics: "The private sector is getting involved in bigger industrial projects as it gains confidence." Kato Aromatics, a holding company whose subsidiaries are manufacturing a plane in Russia, is building an \$80 million integrated manufacturing complex in 6 October City and constructing a 278-room deluxe hotel in Cairo.

Foreign industrial investors used to a competitive marketplace often mention other attributes of manufacturing in Egypt. "The infrastructure is the best in the North African and Middle East area, and this is an excellent industrial base from a manpower perspective," says Klaus Ebling, managing director of Siemens Ltd. in Egypt.

"Egypt is politically stable and economically sound, which enables us to confidently undertake long-term projects."

One challenge will be to expand the industrial base beyond Alexandria, Cairo and Port Said to other parts of the country. Another will be to further penetrate export markets with Egypt's improved industrial output and manufactured goods.

"We are committed to enhancing our exports both in quality and quantity," President Hosni Mubarak has said. "The aim is to make the phrase 'Made in Egypt' a badge of high quality everywhere."

SEAGULL EGYPT COMPANIES SUPPORTING EGYPT'S PETROLEUM INDUSTRY

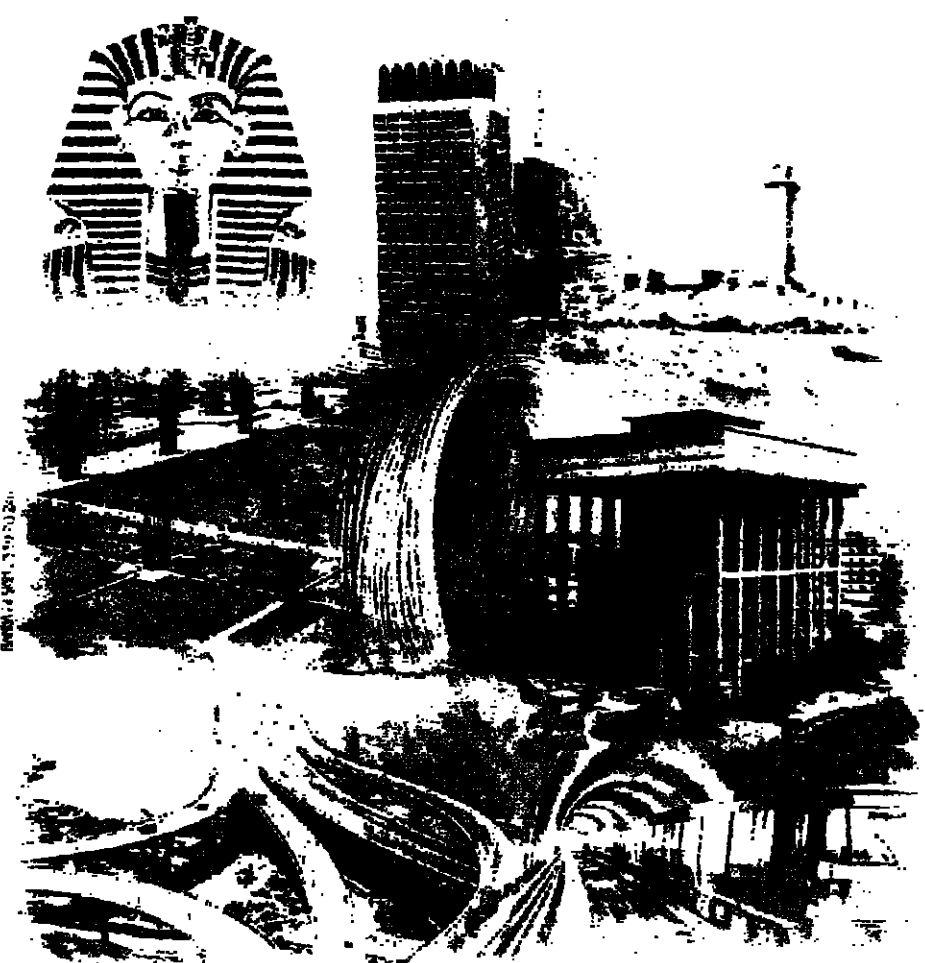
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EGYPT: THE S

PHARMACEUTICALS EXPAND MARKET AND MANUFACTURING

The Egyptian pharmaceutical market, which is expected to reach a value of \$1.1 billion by the year 2000, is growing at an average annual rate of 20 percent. The market is now dominated by multinational companies, with local manufacturers accounting for only 10 percent of the total production.

The market is expected to grow further, driven by the increasing demand for pharmaceuticals and the entry of new players. The government has also implemented measures to encourage local production and investment in the sector.

Key players in the market include Glaxo Wellcome, which has invested \$80 million in a comprehensive manufacturing facility outside Cairo, and Kato Aromatics, which is building an integrated manufacturing complex in 6 October City.

The pharmaceutical industry in Egypt is seen as a key sector for economic growth and job creation. The government continues to support the sector through various incentives and regulatory measures.

We're h

The sphinx has risen. Today's Egypt is in focus as one of the emerging economies of the world. Proud of a great heritage and confident of meeting the challenges

مكتبة الادب

EGYPT: THE STABILITY DIVIDEND



Development labs are creating products specifically for the Egyptian market.

PHARMACEUTICALS EXPAND MARKET AND MANUFACTURING

The Egyptian pharmaceuticals market, which is estimated to be worth in excess of \$1.1 billion this year, has been growing at an average annual rate of 20 percent. Per capita yearly expenditure on drugs is now almost \$20, compared with just over \$10 in 1994. There are more than 30 manufacturing sites, and pharmaceuticals are distributed at some 16,000 pharmacies throughout the country.

"We have traditionally been a base for international pharmaceutical companies due to increases in real consumption because of our quickly growing population," explains Mohamed Barakat, the managing director of the Egyptian Gulf Bank, noting that multinationals in the country include Novartis, Bristol Myers Squibb, Hoechst Roussel, Glaxo Wellcome, Eli Lilly and Pfizer. "Local products were also protected by government subsidies, and there was a budding export business in other Middle Eastern countries."

Integrated local facility

The major investment during the 1990s was made by Glaxo Wellcome, which has spent \$80 million since 1991 to create a comprehensive, integrated, state-of-the-art manufacturing facility at El Salam City near the Cairo airport.

"We decided that the only way to enter the country was to acquire a local firm and then invest for the long term," says Negad Shaarawi, chairman and managing director of Glaxo Wellcome Egypt, who has been active in the Egyptian pharmaceuticals business for 22 years. "This is a tremendous vote of confidence in the Egyptian government, labor, economy and future."

The 120 products in Glaxo Wellcome's Egyptian portfolio include well-known Actifed cough medicine and the Zantac ulcer pill. In addition, a development laboratory creates pharmaceuticals specifically for the Egyptian marketplace.

The company, which has more than 1,000 employees, uses a variety of improved production and packaging methods, and is one of 500 companies in the world to be awarded a Manufacturing Resource Planning Class A certificate. The site has a number of International Standards Organization (ISO) certifications.

POWER SECTOR UNDERSCORES NATIONWIDE DEVELOPMENT

Egypt is diversifying its energy sources as it expands their scope.

Egyptian energy is in the hands of a man whom Klaus Ebling, managing director of Siemens Ltd. in Egypt, calls a "realistic visionary." Indeed, Muhammad Maher Abaza has held the position of minister of electricity and energy for 18 years.

"The minister has fulfilled all of his five-year plans, which is a major achievement in a developing country," says Mr. Ebling, noting that many parts of the power and electricity sector are open to private ownership. "He has also created cost-covering energy tariffs and almost completely eliminated subsidies."

Charting a growing grid

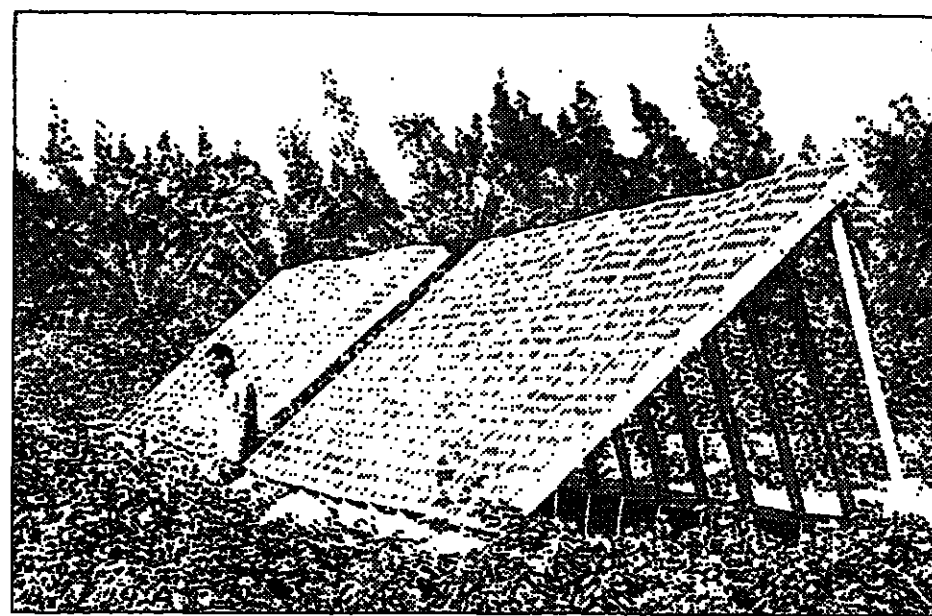
The 68-year-old Mr. Abaza always has diagrams in his

possession to vividly display the status of the Egyptian power network. As he unfolds maps and charts in his Cairo apartment, he eagerly points out two new 627-megawatt steam turbine generators that will increase Egypt's total network capacity to 15,500 MW. Then his finger moves to the path of a 220 kilometer (135 mile) cable that will run south from Aswan and the location of two 225-meter-high towers being erected near the Suez Canal to carry electricity to the Sinai. He points to wind farms on the Red Sea and the location of solar collectors in the desert.

"Besides getting power to people throughout the country, we've taken it into the desert to help reclaim land for industry, agriculture,

housing and tourism," says Mr. Abaza, who speaks about Egyptian energy with electrifying passion and is especially enthusiastic about competitive bidding for projects based on the BOOT (build-own-operate-transfer) concept.

Mr. Abaza, whose wife remarks on the pollution in Cairo during tea, also points out that he is cleaning up Egyptian energy. "Eighty-five percent of our steam-powered network is gas-fired, and we are increasingly introducing solar and wind energy into the network," he says, mentioning that solar units are inexpensive solutions for isolated villages with a few hundred people. A longtime backer of international energy exchanges and multinational intercon-



Solar energy is an inexpensive solution for more remote areas of the country.

nectivity, he is proud that the \$381 million United Arab Grid — which has high tension cables linking Egypt, Jordan, Syria, Iraq and Turkey — will be in operation early next year. He does not

hesitate to look even further into the future.

"All of the countries around the Mediterranean basin will be linked together in one power-sharing grid in eight years, and hydropower

from the Democratic Republic of Congo will be brought north by 2025," he predicts. "Egypt is actively promoting these schemes because we are at the hub of Africa, the Middle East and Europe." ■

POLICY REFORM IMPROVES AGRICULTURE

The key to agricultural growth in arid Egypt is an effective water development program.

Two decades ago, the desert road from Cairo to Alexandria was surrounded only by sand. Today, expansive green fields devoted to farming and agriculture dominate the landscape, and there are remarkable developments like Dina Farms, a 30,000-acre (12,000 hectare) agricultural oasis yielding a variety of crops through the use of well water and mechanized production methods.

Rise in food crops

While the role of agriculture in the Egyptian economy has declined from 20 percent in 1986 to less than 16 percent today, there has been a dramatic increase in the cultivation of crops like wheat, rice, maize, cotton, clover, tomatoes, sugar cane and potatoes.

"There have been phenomenal yield gains and significant increases in major crop production stimulated by policy reform, research and improved water resource management," according to

the United States Agency for International Development.

"Agriculture is much more productive and automated than in the past, due to a liberalization program in the 1980s," agrees IGI's Maged Abaza, whose company has interests in the agricultural field. "But we must dramatically increase the agricultural area of the country to further promote self-sufficiency."

Mahmoud Abou Zeid, Egypt's minister of public works and water resources, says: "We cannot think of land development without thinking of water. Most of our water development program depends on improved use of existing water resources, from recycling to better drainage systems."

There are also ambitious land reclamation projects under way, like the 67 kilometer (42 mile) Toshka Canal from Lake Nasser into the Western Desert. The total cost of the project could exceed \$100 billion when dams,

canals, power generation facilities and water treatment plants are included. The government ultimately plans to move 3 million people into a 350,000-acre area, and a U.S. Embassy economic report says that "by some estimates this would double Egypt's agricultural land and GNP in 15 years."

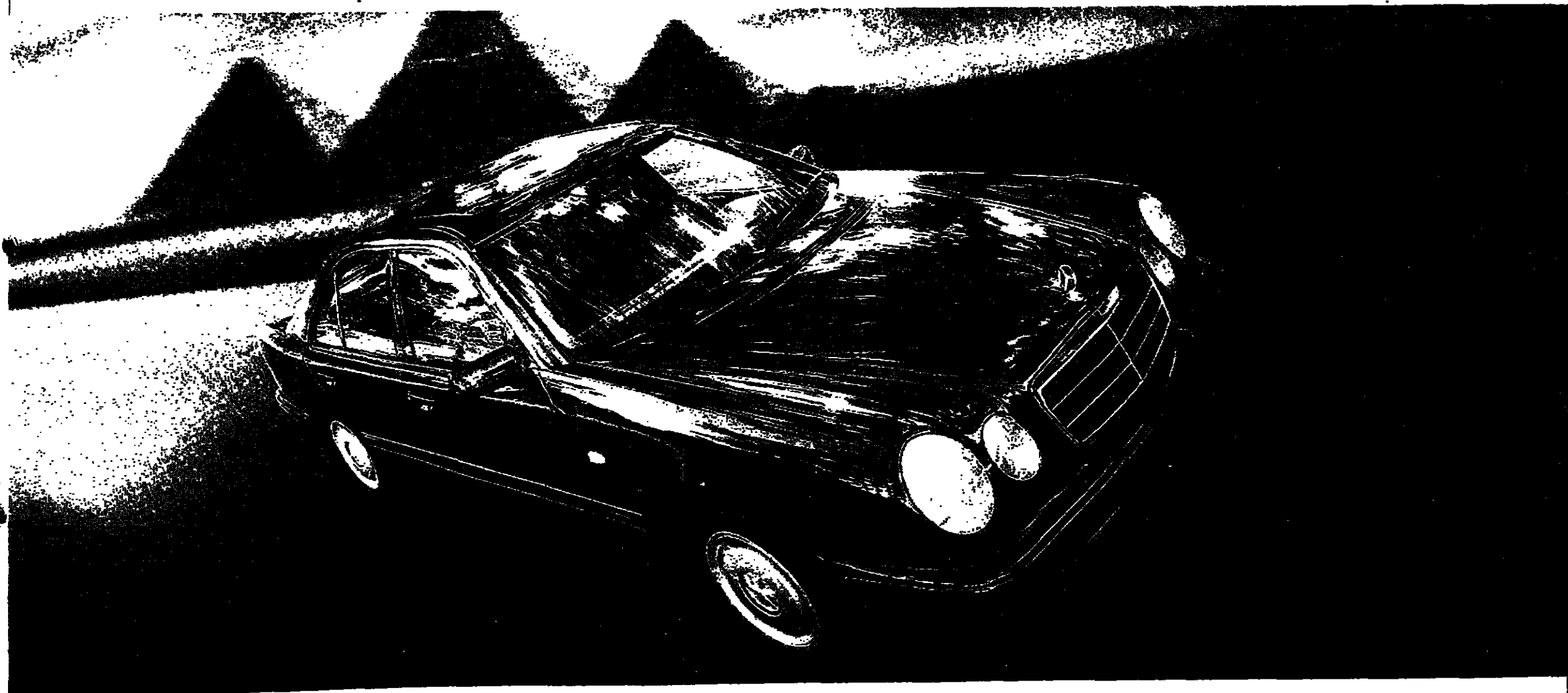
Major opportunity

In order to succeed, government officials hope the project will attract significant foreign and domestic investment. Indeed, Toshka is by far the most frequently mentioned infrastructure development project in Egypt today. "We are considering a \$30 million agricultural project in Toshka within the next two years if we can find a major U.S. agricultural company that can bring us the technical and management know-how," says Ibrahim Ahmed Kamel, chairman of Kato Aromatics, which produces flowers, fragrances, seeds, herbs and a variety of food products. ■



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EGYPT: THE STABILITY DIVIDEND



As large oil reserves begin to decline, many major producers are shifting their focus to natural gas exploration.

EXPLOITING OIL AND NATURAL GAS

Oil production is maturing in Egypt, but there are still new opportunities for independent producers.

Oil and gas, which account for almost 10 percent of Egypt's gross domestic product and more than two-thirds of all exports, is easily the country's largest foreign investment arena.

Despite deregulation throughout the economy, the petroleum sector is still governed by agreements between foreign companies — including multinationals like Agip, Amoco, British Gas, Repsol and Shell — and the Egyptian General Petroleum Corp. (EGPC). The arrangement gets generally high marks from the oil majors.

"The EGPC has honored all of its production-sharing contracts and agreements since they were initiated in the 1970s," says Roger Patey, chairman of Shell Egypt, which established a presence in the country in 1911 and is now planning to triple its retail outlets and double its natural gas production. "The Egyptians have done a good job in

terms of managing resources and have developed concession areas by encouraging competition between major oil companies."

The country's maturing oil production, which has been in the range of 850,000 barrels per day (b/d), with exports at about 200,000 b/d, will decline to 820,000 b/d in July because of a depletion of reserves in some large fields. But oil reserves are estimated at 6.3 billion barrels, and improved concession rates keep established multinational oil companies active in exploration and exploitation. In addition, independent oil producers are increasingly making inroads.

Seagull Egypt, a Texas-based oil and gas company, has been operating in Egypt for less than two years, but has acquired interests in six concessions by buying and merging with companies and purchasing assets. Last month, it announced it would develop a new

commercial field in a 50-50 venture with Apache Egypt in the East Beni Suef concession, a 6.8-million-acre (17 million hectare) concession on both sides of the Nile south of Cairo.

"The future for oil production in Egypt is for quick-moving companies like ours to use advanced technology and lower cost structures to reach sweet spots that are unattractive to major producers," explains Michael Coffield, the president of Seagull Egypt.

The decline curve in the major oil fields has prompted many major producers to concentrate on natural gas exploration. Natural gas produces 85 percent of Egypt's thermal power, and automobiles running on natural gas are a growing local phenomenon. Reserves are estimated at upward of 22 trillion cubic feet; Egypt will have an exportable surplus of gas due to substantial finds in the Mediterranean, Nile Delta and Western Desert. ■

ENVIRONMENT GETS PRESSING ATTENTION

Legislation is being updated to better regulate industrial pollution and encourage green initiatives.

President Hosni Mubarak created a Ministry of State for Environmental Affairs, headed by Nadia Makram Ebeid, when he reshuffled his cabinet last July. The minister promptly made the environment a pressing and fundamental national issue. "Our pollution is due primarily to inaction and the fact that too little attention was paid to environmental damage for over 40 years," Mrs. Ebeid admits as she hands a visitor a copy of the 1994 environmental laws she is now updating. "Egypt certainly has environmental problems, but the government is now determined to overcome them."

Already, 34 large-scale industrial installations — mainly fertilizer, sugar and metallurgical companies — have been identified as re-

sponsible for at least 60 percent of all the pollution in the Nile. Sixteen of the companies have already spent a total of almost \$100 million to conform to the latest environmental laws, and others are currently taking steps to clean up their operations.

"Cement factories are still a chronic problem, but three plants near Cairo have spent \$24 million on air filters, and new plants will be located away from populated areas," Mrs. Ebeid notes, adding that there are loans, technical support and other incentives for action-taking companies.

In addition, the ministry has introduced a Cairo Air Improvement plan to measure vehicle emissions this summer, and it is actively backing the use of natural gas in automobiles. There are also plans to increase the area of the country's natural parks



Environment Minister Nadia Makram Ebeid.

by 15 percent. Egypt is participating in a number of international efforts involving the Mediterranean, energy efficiency and climate change.

"My long-term goal is to educate young and motivated men and women who can give us an edge in environ-

mental science," says Mrs. Ebeid, noting that environmental standards and impact assessments are imperatives for all new development projects. "I not only want the country to acquire the best technology, I want every citizen to realize that reducing pollution saves lives." ■

IAA CONFERENCE

Cairo is the host city for this year's meeting.

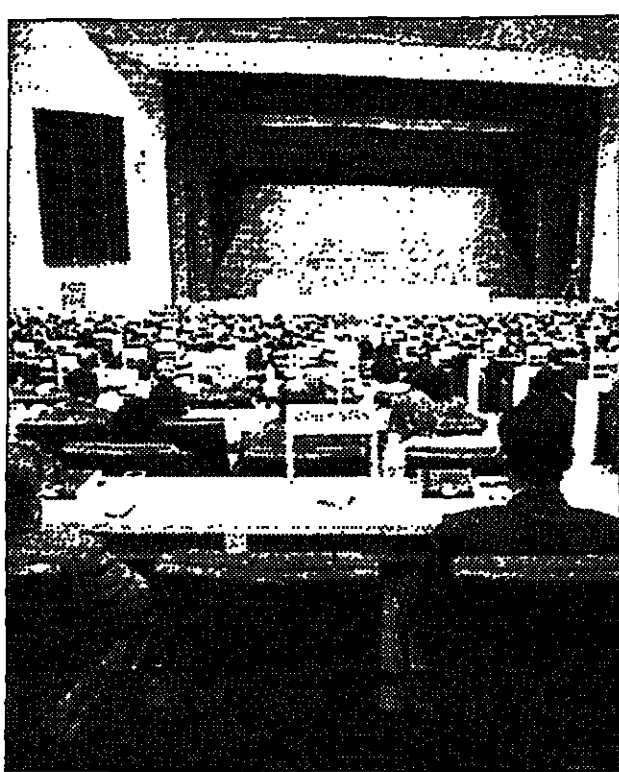
Egypt has carved out a niche as a Mediterranean conference center by playing host to such disparate events as an Internet convention last March and an international automobile show in November.

"It is easy to get top speakers to come to Cairo and Egyptian resort areas because of the country's traditional tourist attractions and top international hotels," says Tarek Kamel, secretary of the Internet Society of Egypt, organizers of Cainer, the nation's third Internet conference and exhibition, which attracted speakers from 20 countries. "Conventions in Egypt always include visits to the most popular tourist sites."

This week, 1,300 participants from 95 countries will attend the 36th International Advertising Association conference, being held for the first time in the Middle East.

Taking place under the patronage of Egyptian President Hosni Mubarak at the International Convention Center in Cairo May 10-13, the IAA will take as its theme "Interaction — The 21st Century." Executives from companies like American Express, Compaq, Microsoft, Mobil Oil and Visa International will take part in speeches and debates about the future of marketing communications.

"Egypt has been the cradle of communication since the dawn of history, and it is appropriate that we are hosting the last IAA congress of the century," says Dahlia Abdel-Fattah, the event's executive director. ■



The International Convention Center will be the site of the marketing communications conference.

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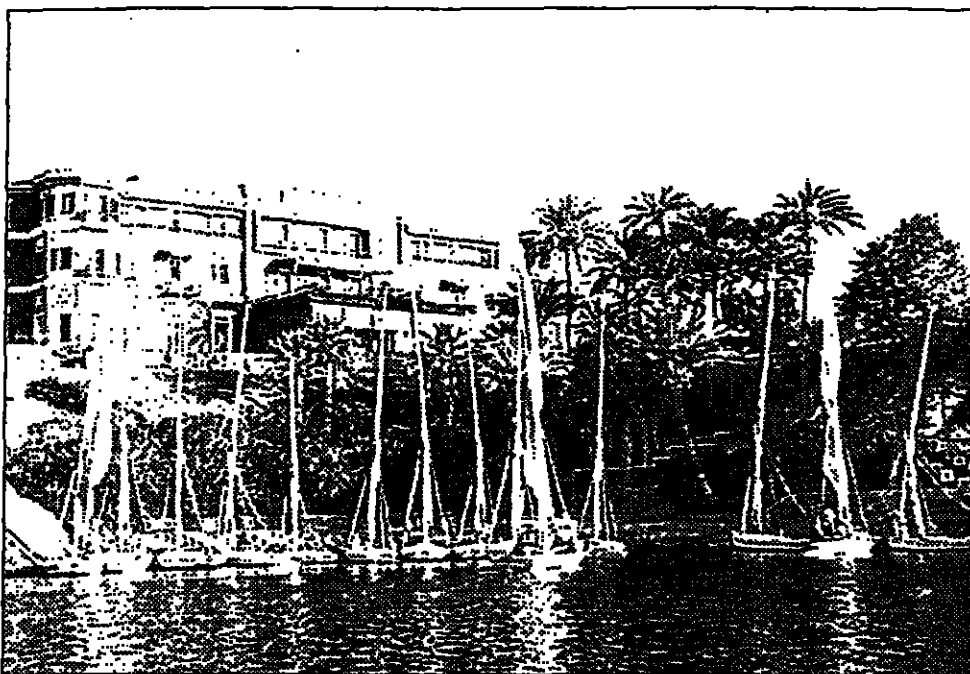
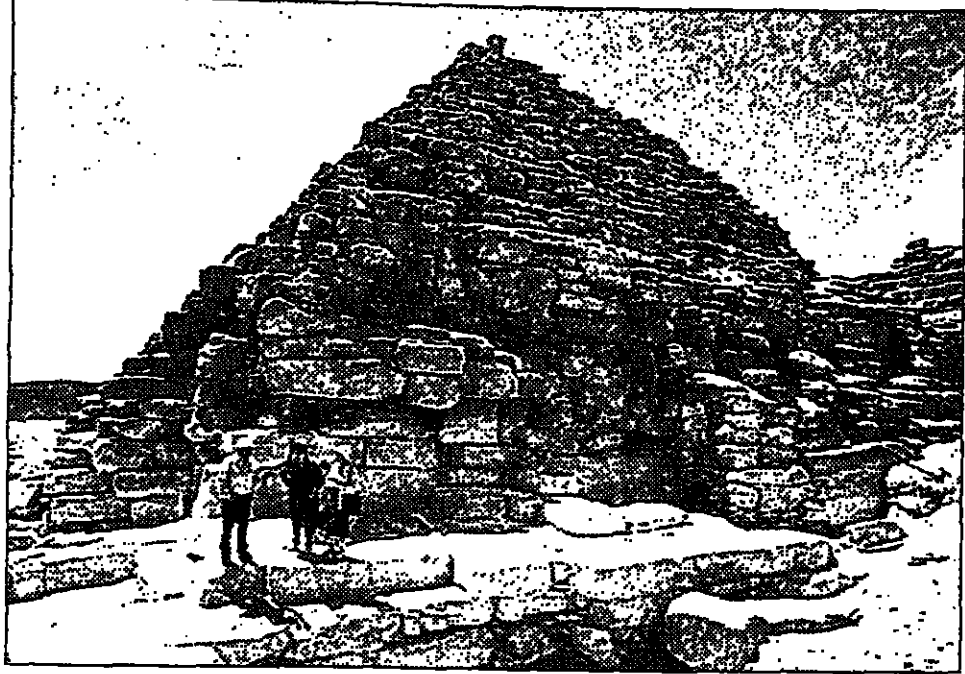
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EGYPT: THE STABILITY DIVIDEND

SIEMENS

Dreaming to

EGYPT: THE STABILITY DIVIDEND



LULL IN VISITORS, NOT INVESTORS

Long-term investors are not shying away from opportunities in the tourism sector.

Egypt is a nationwide museum and year-round resort with many of the attributes — sun, sea, sand, culture and an upmarket infrastructure — necessary for a budding tourism industry.

But this important revenue-earning sector is still feeling the crushing blow of last November's attack on tourists in the southern resort town of Luxor. Today, whether the subject is tourism or the economy, conversation is often conducted in terms of pre- and post-Luxor.

Although the government quickly implemented tight security measures following the incident, observers agree that it will take at least until September before there is any serious uptake in tourism.

Almost 90 percent of tourists come to Egypt on group tours and, though some operators have included the destination in their autumn catalogues, many canceled excursions following the attack.

"Tourist terrorism won't threaten the stable regime or destroy the strong economy in Egypt today," says David Wilsford, political scientist and president of the Institute for American Universities in France. "But it certainly does not encourage people to book flights."

Boom and bust

Tourism in Egypt had been blossoming pre-Luxor. Nearly 4 million tourists arrived in 1997, compared with 1.5 million in 1985, and the industry earned the country over \$3 billion, or about 4 percent of GDP, in June of the 1996-97 financial year. It is, directly or indirectly, responsible for one job in 10.

"Tourism, particularly because of its ripple effect throughout the services industry, will always be a cornerstone of our economy, and anything that hurts it hurts the economy," says Mohamed Oualp, the senior general manager of MIBank.

Indeed, the number of tourists visiting Egypt earlier this year had dropped by at least 50 percent; last month, there were only about 1,000 tourists a day visiting the Pyramids, compared with 4,000 a day a year ago. This drop is a blip on the screen, however, in terms of long-term development.

"As long as the Pyramids are standing, there is tremendous room for growth in tourism," says Mohamed Barakat, the managing director of the Egyptian Gulf Bank. In fact, there are still fewer hotel rooms in Egypt than in Las Vegas.

Observes Ibrahim Ahmed Kamel, chairman of the Kato Aromatics holding company: "We have tourism investments worth \$50 million, and nothing was canceled because of Luxor. In fact, our total investments will be doubled as tourism further diversifies in the recreational, business, health and adventure travel areas."

Indeed, there is a plethora of new hotels at Red Sea and Mediterranean resorts, and the area between Sharm El Sheikh and Taba has been nicknamed the "Egyptian Riviera." Though former chic haunts, like the Groppi tea house in Cairo and the San Stefano Hotel in Alexandria, are fading landmarks, contemporary tourism includes everything from the world's best-known hotel chains to a Pizza Hut near the Sphinx.

Royal treatment

There are, for the tourist, even some positive aspects to the current decline. "The buyer is king," says Magd Abaza, general manager of the International Group for Investments, noting that a 50 percent discount is the norm this spring. ●

TOURISM'S MONUMENTAL TASK

The challenge is to preserve Egypt's rich heritage while making it available to the world.

Turn over a rock in Egypt and you could make a unique discovery. "Seventy percent of Egyptian monuments have not yet been unearthed," says Zahi Hawass, director of the Pyramids in Cairo. "Egypt still has more buried magic than any other country."

Earlier this year, the undisturbed tomb of an Egyptian official was found in Abu Sir and, beyond the confines of the Pyramids, a visitor can be taken on a private tour to view recent discoveries like the Tomb of Kay and a broken statue of the queen of Ramses II. Ongoing excavations constantly unveil unexplored tombs, shafts, causeways and inscriptions.

"There is so much here that we always need more people, more money and more time," says 27-year-old archaeologist Shaaban Ahmed as he shows a visitor a new shaft at one dig. "There are also new discoveries made about the Pyramid builders, including the discovery of wooden splints used to support broken bones."

It doesn't take new discoveries to underline the importance of Egypt's existing monuments. "The country is simply of monumental and unrivaled historical and cultural importance," says Constantin Christofides, an art professor who was born in Alexandria and now teaches at the Institute of American Universities in Aix-en-Provence, France. "There is no question that the Egyptians were the world's first architects, sculptors, astronomers, painters and

artists. No one should die without seeing the Pyramids, the Cairo Museum and Karnak Temple."

Victims of success

Yet many Egyptian sites, from Abu-Simbel in the south to the Pyramids of Giza, have suffered from a surplus of tourists and a lack of management. A priority for Mr. Hawass and other archaeologists in Egypt today is to strike a balance between preservation and tourism.

"The Sphinx is the oldest sick man in the world, and we recently closed the Cheops Pyramid for eight months to clean the humidity, graffiti and cracks caused by too many tourists, who cause the level of humidity to rise to 95 percent," says Mr. Hawass, who obtained his Ph.D. in Egyptology from the University of Pennsylvania. "Preservation of the monuments must become as important to the country as showing them off."

In fact, the Egyptian government will have spent \$100 million by 2003 at the Giza Pyramids alone to introduce protective measures that include cleaning and sophisticated ventilation systems, a conservation and archaeology training program, and the construction of a new ring road around the site.

The government is also taking steps to maintain other antiquities throughout the country. The Ministry of Culture has just embarked on a \$72 million program to rehabilitate entire areas of now-dilapidated streets in the Al Azhar area in Cairo. ●

SOLOING (OR NEARLY) ON THE NILE

Waves of tourists may come and go, but the Nile is eternal and unchanging.

Egyptians, since the Asian economic crisis, are reluctant to call their country "the tiger of the Nile," a fashionable appellation only a year ago. But the river continues to represent the life of the nation and, as Herodotus said, "Egypt is the gift of the Nile."

The river is evoked nearly everywhere. There are Nile burgers, a Nile bowling alley and a taxi driver who introduces himself as "Stranger in the Nile." Cruising the Nile is, of course, a must for tourists. But why would a 37-year-old woman from Indiana explore the Nile on her own?

Debra Moffitt, a business ex-

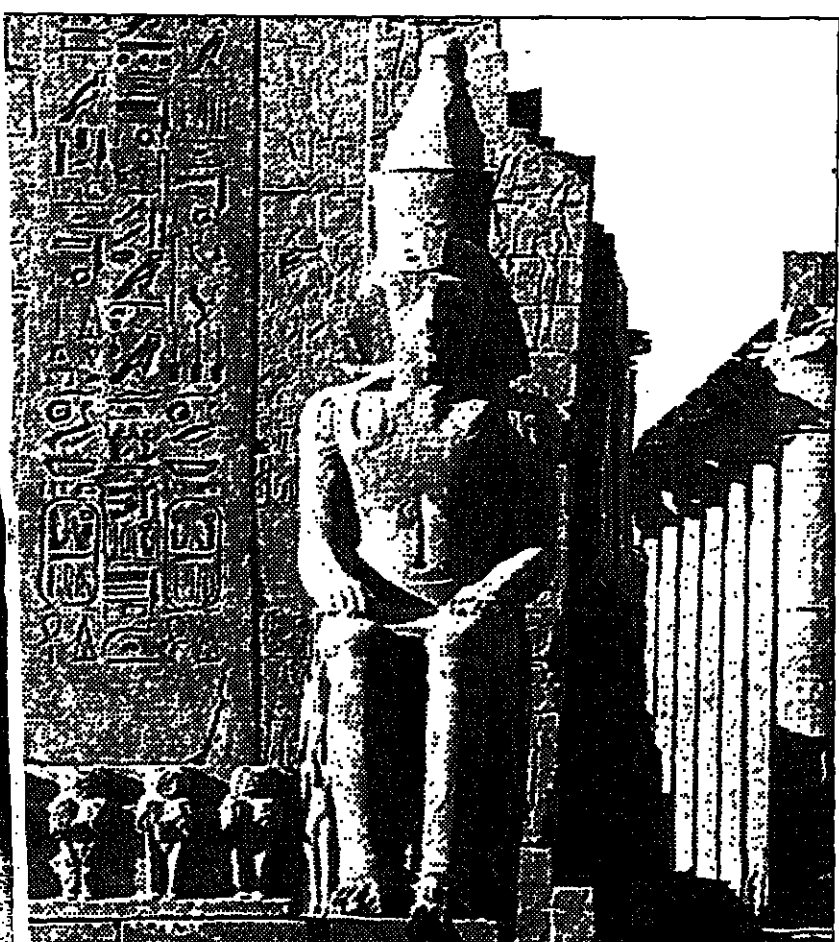
ecutive-turned-writer, came to Egypt last March despite warnings from friends about security and the lack of a planned itinerary. She was delighted to find she had the river almost to herself.

There were only 10 people on the Nile Romance, a boat with sleeping quarters for 250, which she took from Aswan to Luxor on a five-day, four-night trip that cost less than \$500 for accommodation, board and guided tours. She visited well-known locales like Elephantine Island, Karnak Temple, Kom Ombo, Philae Temple and the High Dam.

"The Nile has a life of its own — wildlife, riverside inhabitants,

the smell of jasmine — that brings all of these monuments to life," she says, noting that she hopes to return next year to visit Abu Simbel. "I was entertained by an Egyptian colonel and his wife in Aswan, and a vendor at the Edfu temple even offered to buy me for 50 million camels."

While another terrorist incident could certainly occur, Ms. Moffitt was not overly concerned. "Any worries I had about security diminished when I saw the several armed guards on camels at the Pyramids," she concludes. "And after 10 days in the country, I felt safer as a single woman than I've felt in Iowa." ●



Pyramids, the Nile, Egypt's many well-known temples and tombs — these represent a fraction of the country's rich artistic and architectural heritage.

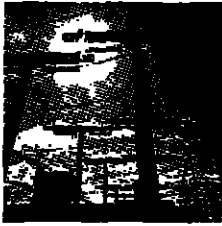
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Power
to the Point

SPORTS

Return of Ewing Can't Save Knicks

The Associated Press
INDIANAPOLIS — Patrick Ewing made his much-anticipated return from a fractured wrist, but he could contribute little as the New York Knicks fell two games behind in their second-round series against the Indiana Pacers.

Ewing shot just 3-for-11 with six rebounds, four fouls, two turnovers, two steals and no assists in 27 minutes as the Knicks lost, 85-77, to the Pacers on Thursday night.

"All it takes is one game under my belt," said Ewing, who had been out since late December.

"Patrick gave us a big lift, and I think he'll be better in the next game," said the Knicks' Chris Mills. "We're all happy he's back. He brings so much to us."

Mark Jackson of the Pacers said, "Our objective is to put this thing away before he finds that rhythm."

Ewing was on the court with the starting five, but lost the opening tip in what would turn out to be a long series of plays in which Ewing simply was not his old self.

He fumbled the ball the first time he touched it, dribbled it terribly, shot poorly and even had a late airball. Many of the Knicks denied it, but they seemed to lose the offensive flow they had grown accustomed to in Ewing's absence.

Ewing had a few defensive



Patrick Ewing of the New York Knicks, left, standing his ground against Rik Smits of the Indiana Pacers.

laps, too, none of which were more costly than when he left Rik Smits wide open with 1:31 left for a jumper that gave Indiana a 79-73 lead.

The Knicks closed to 79-77 on a lay-up by Ewing with 46 seconds left, but the Pacers held New York scoreless the rest of the way.

Smits scored 22 points and Reggie Miller had 21 for the Pacers, who again got a strong contribution from their reserves (28 points).

John Starks scored 20 to lead New York, while Allan Houston had 16 and Larry Johnson, returning from a two-game suspension for fighting with Alonzo Mourning of Miami in the first round, had 15.

"I thought I was going to have a better game," Ewing said. "My expectations are high, and I believe in myself."

The Knicks' coach, Jeff Van Gundy, said: "He did all right. He hasn't played in five months. Early on he made some turnovers and got into foul trouble. In the second half he played much better. His presence back on the floor was good for us."

In Game 1, the Spurs had a chance to win at the end of regulation — just like in Game 1.

This time, Tim Duncan passed the ball instead of shooting it, and a wide-open Jaren Jackson missed a 3-pointer. "We've played just as well as Utah in both games, except down the stretch —

For Mets, It's All in the Family

Mookie Wilson's Stepson, Preston, Gets 3 Hits as N.Y. Downs Cards

The Associated Press
Preston Wilson, the 23-year-old stepson of Mookie Wilson, the former New York Mets outfielder and current first base coach, got his first major league hit and quickly added two more as the Mets beat St. Louis.

Wilson, a rookie, went 3-for-4, drove in a run and stole a base as the Mets won, 4-1, on Thursday night in New York.

Masato Yoshii allowed just two hits in seven innings, including Brian Jordan's home run, and the Japanese-born pitcher helped himself with his first big league hit, a two-run double that made it 3-1 in the fifth.

Fans who came out to Shea Stadium hoping to see Mark McGwire hit home runs instead saw the younger Wilson, also an outfielder, enjoy a special big-league beginning.

"I can't ask for anything more," said Wilson, the Mets' top choice in the 1992 draft. "Anytime you get off to a good start, it helps you relax."

After beating out an infield hit in his first at-bat, Wilson was greeted with a handshake from Mookie once he got back to the bag.

"He said, 'Well, you got the first one. Now run the bases,'" Preston said. Wilson also received congratulations from McGwire.

"Is that your first hit?" McGwire asked, according to Wilson.

"I said, 'Yes,'" Wilson said. "He said, 'Way to go.' That's nice, especially coming from a big man."

Braves 6, Padres 3 In Atlanta, John Smoltz, the Braves' starting pitcher, drove in three runs and got his third victory as the Braves won their fourth straight.

Smoltz (3-0) capped a four-run fourth inning with a two-run double off Joe Hamilton and added a run-scoring single

in the sixth. The right-hander gave up five hits and three runs and struck out seven batters in seven innings.

Andres Galarza homered for the Braves, who have at least one homer in 19 consecutive games.

Expos 2, Rockies 1 In Montreal, Carlos Perez took a shutout into the ninth inning and won for the first time in 12 starts.

Perez (1-3) allowed seven hits in eight-plus innings, struck out four and walked none. He gave up a leadoff triple to Ellis Burks to open the ninth, and Larry Walker followed with a run-scoring single. Ugueth Urbina finished for his seventh save.

Dodgers 4, Marlins 3 Ramon Martinez survived a shaky start to pitch eight innings and Raul Mondesi capped a comeback with a two-run single for visiting Los Angeles. Martinez gave up three runs in the first inning, then allowed only two hits after that.

Phillies 4, Diamondbacks 1 In Philadelphia, Curt Schilling allowed just three hits and struck out 12 in seven innings to lift his major league-leading strikeout total to 90, 45 ahead of the No. 2 pitcher — the Chicago Cubs' Kerry Wood.

Pirates 8, Reds 7 In Pittsburgh, Jason Kendall's two-run single in the eighth capped the Pirates' comeback.

Bret Boone, Willie Greene and Chris Stynes homered as the Reds led 4-2 and 7-3 before the Pirates rallied with Kendall's double and Turner Ward's run-scoring single in the seventh.

In American League games:

Blue Jays 6, Mariners 0 One day after Kerry Wood struck out 20 to tie Roger Clemens' major league record for a nine-inning game, Clemens stretched his streak of scoreless innings to 18 with the help of a different record.

Clemens won in Seattle as the Mariners left 16 runners on base, tying a major-league record.

"I made some good pitches when I

got in trouble," Clemens said. "When you get in trouble, you've got to go to batting."

Clemens had six strikeouts in seven innings while giving up seven hits and walking three. Earlier in the day, he had telephoned Wood to congratulate him for his 20 strikeout performance against Houston.

Carlos Delgado gave Clemens all the support he needed by going 5-for-5 with a grand slam in the third inning.

"Once you get out to a three- or four- or five-run lead, you can pitch a little more and go at guys," Clemens said. "You try and pound guys when you have to. You try to overpower 'em. Then at times you've got to make some good pitches."

Clemens struck out Alex Rodriguez with the bases loaded in the sixth.

Ken Griffey went 3-for-5 with two doubles for Seattle, which went 0-for-10 with runners in scoring position against Clemens and 2-for-19 with runners in scoring position overall.

Indians 7, Rangers 2 Bartolo Colon pitched a four-hitter for his third career complete game as visiting Cleveland won its sixth straight.

Colon struck out five and walked two, losing the shutout when Will Clark hit a two-run homer with one out in the ninth.

Tigers 6, Athletics 3 Andy Tomberlin and Bobby Higginson hit two-run homers as Detroit rallied for the second straight day in Oakland.

Tomberlin hit his first homer of the season in the sixth and Higginson hit his sixth homer in an inning later.

Royals 5, Red Sox 3 Jose Offerman hit his first home run in 463 at-bats — since May 18, 1997 — and visiting Boston lost consecutive games for the first time in two months.

In Chicago, the National League game between the San Francisco Giants and the Cubs was rained out.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE	W	L	Pct.	GB
EAST DIVISION				
New York	21	11	.656	3
Boston	21	11	.656	3
Baltimore	16	16	.500	8
Tampa Bay	15	18	.455	9 1/2
Toronto	13	21	.386	10 1/2
CENTRAL DIVISION				
Cleveland	20	12	.625	—
Kansas City	14	19	.424	6 1/2
Minnesota	13	19	.406	7
Chicago	12	19	.387	7 1/2
Detroit	9	20	.313	9 1/2
WEST DIVISION				
Texas	19	12	.613	—
Anaheim	17	15	.531	2
Seattle	16	17	.482	3 1/2
Oakland	14	18	.438	5
NATIONAL LEAGUE				
EAST DIVISION				
Atlanta	17	14	.550	—
New York	15	17	.469	2
Philadelphia	12	20	.379	5 1/2
Montreal	11	22	.333	7 1/2
Florida	11	22	.333	7 1/2
CENTRAL DIVISION				
Houston	20	12	.625	—
St. Louis	18	13	.581	1 1/2
Chicago	17	15	.531	2 1/2
St. Louis	16	17	.482	3 1/2
Cincinnati	15	18	.455	4 1/2
Pittsburgh	8	24	.250	14 1/2
WEST DIVISION				
San Diego	22	11	.667	—
San Francisco	18	15	.545	4
Los Angeles	17	16	.515	5
Colorado	15	19	.441	7 1/2
Arizona	8	24	.250	14 1/2

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